INTEREST

- A dreadful curse
- Ways to get rid of
- Multi Level Marketing

SHAH MUHAMMAD HABIBUR RAHMAN

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Publisher's note

Interest is the biggest weapon of exploitation of the capitalist economy. The system of giving loan on the basis of interest has been practised from the days unknown. The motive behind is to exploit the debtor capitalizing his miserable situation. As a result, humanitarian motivation to help the needy to provide good loan i.e. *qard-e-hasanah* does not prevail.

All the Prophets and Messengers of Allah SWT have declared interest as a weapon of exploitation and advised all to abstain from it. During the period of the Islamic *Khilafat* in Medina, men first come upon the advantages of interest-free Islamic economy and during the reign of Hazrat Umar Ibn Abdil Aziz (R.A.) no where of Arabia any poor man was found suitable to receive *zakat*. It is also feasible today if the people are conscious and the attitude of the government is changed and the economy is reformed accordingly.

It is our humble effort to make the people of the country aware of the evils of interest. We are grateful to Allah SWT that we published three valuable Bengali articles of Professor Shah Muhammad Habibur Rahman, a renowned Islamic economist of the country, an honorable member of the Shariah Council of Islami Bank Bangladesh Limited (IBBL) for 23 years and a veteran teacher of Rajshahi University. We published those articles of *At-Tahreek* in a book form. The author has kindly translated the book in English, thoroughly revised and updated the contents as well.

The prohibition of interest is confirmed by eight verses *(ayah)* of the holy Quran and more than forty Hadeeths. Hazrat Muhammad (pbuh) said, "Whatever is the volume of money due to interest, it ends up in poverty" (*Ahmad, sanad saheeh*). Yet the interest-based economy has been running for ages in Bangladesh. The financial institutions are filing case against the debtors and grilling them in jail because of failure to pay the installments of interest in due time while the rural usurers and the workers of the NGOs are seizing tins from the roof of the debtor's house and snatching away milch cows from the cow sheds. Even the poor debtors are beaten to death and bodies are hanged from trees in order to threaten others. Against this background to rouse consciousness among the people about the oppression and exploitation of interest and to warn the *Mumin* about the severe punishment in the world Hereafter are the twin goals of this little endeavour. If the people in general and the government in particular become aware about the evil consequences of interest and abstain from its dealing and if Allah SWT accepts our effort in this regard, we would consider our work rewarding. The writer has made this book *waqaf* to the Hadeeth Foundation Bangladesh as *Sadakah zariah*. May Allah SWT grant him the best rewards both in this world and in the world Hereafter. - Ameen!

Director

Hadeeth Foundation Bangladesh

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بِسْمِ اللهِ الرَّحْمَنِ الرَّحِيمِ

(In the name of Allah, the most Gracious and the most Merciful)

الحمد لله وحده ، والصّلاة والسّلام على من لا نبيّ بعده وبعد :ـــ

(All praises be to Allah and peace be upon His Prophet (pbuh). To proceed:

Introduction

Interest ranks the highest amongst all evil ways and means that have been invented to exploit the society and to make the poor poorer and the rich richer. In consideration of the procedures, outcomes and deep seated damage to the economy there is no comparable anti-social weapon similar to interest. It can be traced back in the Torah, the revealed book, that interest dates back to very ancient time, even before the time of Hazrat Musa (A). Still it prevails in the society with its evil force. But history testifies to the fact that interest was always condemned in unequivocal terms. Dealers of interest were identified as the enemy of the society and appeals were made to avoid it in all ages. No revealed books permitted any kind of dealings on interest nor put the seal of acceptance on it.

Definition of Interest

Allah SWT prohibited interest in unequivocal terms in the holy Quran. He proclaimed وَأَحَلَّ اللهُ الْبَيْعَ وَحَرَّمَ الرِّبَـــا 'Allah has permitted trading and forbidden *Riba* (Interest)' *(Al-Baqarah: 275)*.

Why is this declaration? Why has interest (الرِّبَـــا) been declared prohibited? To get into this discussion, we have to know first what is *Riba* or interest and what it really stands for. In Arabic

Riba literally means increase, addition, expansion or growth. This does not imply that every increase or growth has been prohibited in Islam. Umar Chapra, the renowned Islamic scholar, philosopher and the King Faisal Award winner, defines it as saying: "In the *Shari'ah*, *Riba* technically refers to the ‘premium’ that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity."

Imam Fakhruddin Razi said that during the era of *Jahiliyah*, people of Arabia knew very well about *Riba* and it was widely in practice among them. Even in that period they used to disburse loan systematically according to the terms and conditions agreed upon and realized a fixed amount of money per month while the principal amount remained intact. When the period was over and the debtor failed to repay the debt, the time of repayment was extended on condition of paying an enhanced amount of interest *(Tafsirul Kabeer).*

Ibn Hajar Asqalani (R) said *Riba* is that excess material or money which is paid against the original quantity of material or money. In his book *Ahkamul Quran* Imam Abu Bakar Al-Jassas said, *Riba* is of two kinds. One relates to purchase and sell while the other is not. The second one is *Riba* of the *Jahiliyah* age. He further said that there was tradition of signing a contract during the *Jahiliyah* era between the debtor and the creditor at the time of providing loan where it was agreed upon that the borrower would pay an extra amount of money at a fixed rate within the stipulated period of time.

According to the renowned Mufassir Ibn Jarir (R), "the *Riba* mentioned in the holy Quran and practiced during the *Jahiliyah* era is the realization of a fixed amount of money in addition to the principal amount, stipulated upon a fixed time. The Arabs carried out the same practice. If the debtor failed to repay the

loan, the time of repayment was also extended on condition of paying an extra amount of interest *(Tafsir Ibn Jareer)*.

A misconception prevailing in the society regarding *Riba* needs to be resolved. Many people argue that *Riba* in the holy Quran and the Hadeeth refers usury which is realized on the money lent for personal or family purpose. To them, interest i.e. the extra amount charged for a fixed period of time for investment in business purposes is quite different one. They are of the opinion that realization of interest or usury from a needy person may be condemnable as there might be scope for exploitation and oppression. But money given as loan for business purpose and interest charged on it is not exploitation because nothing is imposed upon anyone. On the contrary, the businessman will earn profit.

They argue that like conventional commercial dealings the rate of interest is agreed upon according to the convenience of both the parties. This rate of interest is simple and also low, usually ranging from 8% to 18%. Moreover, because of such loan investment in bussiness enterprises become possible and production and employment are accelerated and the wheel of the economy sets in motion. As the income of the borrower increases, it is logical for him to repay the loan with 'the price for the duration of the capital'. According to them there is no element of pressure or any kind of exploitation prevails here. On the other hand, the purchasing power of the creditor that decreases due to inflation is offset by the interest he receives. As a result the value of the capital remains intact. The explanation is not tenable at all for the following reasons:

Firstly, in the entire Arab world the term *Riba* is used for interest. No other terminology is used for it. So there is no scope to create unnecessary doubt about the matter by using any other words of English, Bengali or other languages. For example, interest is prohibited in Islam as wine is prohibited. There is no material difference between a full glass of coloured wine and a bit of

white wine kept at the bottom of a glass except in colour and quantity. By the same way the difference between interest and usury is not qualitative but quantitative.

Secondly, during the age of the *Jahiliyah*, capital was invested for conducting trade and commerce and interest was realized for it. At that time, many people used to invest their capital to earn interest by appointing agents like that of the present age. Among those Abbas Ibn Abdul Muttalib, uncle of Hazrat Muhammad (pbuh) and Bonu Mugheerah were the most infamous. The interest they realized was known as *Riba*. Hazrat Muhammad (pbuh) stopped the interest based business of his uncle and wrote off all outstanding interest of the debtors in his farewell pilgrimage address *(Abu Dawood H/1905)*.

Thirdly, those who ask to realize the 'price for the time the capital was used' are similar in behaviour of the story of that one-eyed deer. If the 'price for time' is accepted on the lender's side why not is it applicable in the same way on the borrower's side? More importantly the debtor's time, labour and intellect are used to utilize that money. Moreover, those who argue for taking interest in order to keep the value of money intact, they forget that it is not possible to keep the value of money stable just by realizing interest. It requires additional fiscal and financial measures. So people who are interested in differentiating interest from that of usury most likely speak with a view to fulfill any particular motive. It can categorically be said that both in the *Jahiliyah* era and in Arabic language the word *Riba* was used to mean both interest and usury. The lexicographers and scholars are unanimous in this respect.[1]

1. T.B. Hughes, *A Dictionary of Islam,* (Premier Book House, 1985), p. 544; Adam Kupar & Jessica Kupar, *The Social Sciences Encyclopaedia,* (Routledge & Kegun Paul, 1985), p. 405-406; *Encylopaedia Judiace,* (Jerusalem, 1972), Vol. 16. p. 28; Raymond De Rover, *International Encyclopaedia of the Social Sciences*, London, vol. 4, p. 434; Henry, W. Spigel, *A Dictionary of Economics, (*Macmillan, 1987), Vol. IV, p. 769.

In fact, interest that is prohibited in the Islamic *Shari'ah* is prohibited once for all whatever be the names and attributes applied to it and whatever be the means adopted to gain it. It may be remembered that when the verses of the holy Quran were revealed prohibiting *Riba*, interest was paid on money borrowed for personal cause as well as for business purpose. Both kinds of interest were called *Riba* in Arabic and this *Riba* was declared prohibited in the holy Quran.

Fundamental features of interest

From the above discussion four distinctive features of interest can be identified. These are:

a. Interest is charged against loan.

b. Extra amount of money at a prefixed rate is to be paid at the time of repaying the debt.

c. An agreement is to be reached determining the time of repayment and the extra amount of money to be paid.

d. Any damage, profit or loss or risk of the borrower will not be taken into consideration by the creditor.

Classification of Riba

According to the Islamic *Sharia'h*, interest is of two kinds:

(1) *Riba an-Nasi'ah* (الربوا النسيئة) and (2) *Riba al-Fadhl* (الربوا الفضل).

(1) *Riba an-Nasi'ah* (Interest on credit): *Riba an-Nasi'ah* means one is to pay interest at a fixed rate for the sum borrowed which is to be returned after the spacific time fixed by the lender. The debtor is bound to repay the loan alongwith the stipulated amount of money. For example, when B borrows Tk.100/= from A for a year, the Tk.100/= will be repaid by B with an addition of 10% as

extra during repayment. This extra amount of Tk.10/= is called *Riba an-Nasi'ah* i.e. interest for waiting.

(2) *Riba al-Fadhl* (Exchange by different quantity): The word *Fadhl* literally means extra. It refers to the amount which is extra in quantity, taken at the time of exchange of goods of the same type via hand to hand. This extra amount of goods is termed as *Riba al-Fadhl*.

Narrated Abu Sae'ed Khudri (RA): Once Bilal (RA) came with fine quality of dates to Prophet Muhammad (pbuh).The Prophet asked him: From where have you bought them? Bilal said: We had inferior quality of dates and I exchanged two *sa*'s of inferior quality with one *sa* of *Barmi* (a fine quality) dates. Thereupon the Prophet (pbuh) said,

أَوَّهْ عَيْنُ الرِّبَا عَيْنُ الرِّبَا لَا تَفْعَلْ وَلَكِنْ إِذَا أَرَدْتَ أَنْ تَشْتَرِيَ فَبِعْ التَّمْرَ بِبَيْعٍ آخَرَ ثُمَّ اشْتَرِ بِهِ–

"Woe! It is in fact usury; therefore, don't do that. But when you intend to buy dates (of superior quality) sell (the inferior quality) in a separate bargain and then buy (the superior quality)". *(Bukhari, Muslim, Mishkat H/2814)*

In another Hadeeth, Abu Sai'd Khudri (RA) reported the Prophet (pbuh) as saying:

الذَّهَبُ بِالذَّهَبِ وَالْفِضَّةُ بِالْفِضَّةِ وَالْبُرُّ بِالْبُرِّ وَالشَّعِيرُ بِالشَّعِيرِ وَالتَّمْرُ بِالتَّمْرِ وَالْمِلْحُ بِالْمِلْحِ مِثْلًا بِمِثْلٍ يَدًا بِيَدٍ فَمَنْ زَادَ أَوْ اسْتَزَادَ فَقَدْ أَرْبَى الْآخِذُ وَالْمُعْطِي فِيهِ سَوَاءٌ–

"Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, salt by salt, like by like, payment being made hand to hand. He who made an addition to it or asked for an addition, in fact dealt in usury. The receiver and the giver are equally guilty". *(Muslim, Albani, Miskhat H/2809)*

Such kind of transaction i.e. interest is totally prohibited in Islam. The underlying reason here is to safeguard the terms of justice

and appropriate exchange might not be possible to maintain in immediate transactions. So the ruling of the Islamic *Sharia'h* is to sell the goods first on a price and afterwards use the proceeds to buy the intended goods.

The differences between interest and profit

Some people consider interest and profit as one and the same. They hesitate not to say that 'Interest is as like as profit'. To clear the misconception differences between interest and profit are briefly discussed below.

(a) Money paid by the debtor in excess to the original amount of credit is called interest, while profit is the difference between the cost of production and price of the goods and services.

(b) Interest is prefixed while profit is post-earned.

(c) There is no risk and uncertainty in interest. On the other hand, in any business initiatives there remains always a possibility of profit or loss. In this circumstance, the entrepreneur has to face the risk and uncertainty.

(d) Interest can never be negative, may be very low or at best theoretically zero. But profit is positive, can be zero or even be negative (i.e. loss).

(e) In interest, the financier does not invest his effort and labour. But profit is the result of effort and labour of the entrepreneur.

Interest in other religions, philosophy and literature

Interest was prohibited in other revealed books also. Today those books are not found undistorted. Only the holy Quran remains unadulterated or undistorted and will remain so till *Akhirah* (the Day of Resurrection). Because Allah SWT himself has taken the responsibility to safeguard it. The *Jabur*, revealed on Prophet Daud (David) (A) is untraceable.The original text of the *Taurat* (Torah), revealed on Prophet Musa (Moses) (A) is lost. Only the

curtailed and adulterated version is available. And it is well known that over the ages a lot of changes and adulteration has been made in the original text of the the *Injeel* (Bible), revealed on Prophet Isa (Jesus) (A). In spite of this, the European scholars claim that the Old Testament of the *Injeel* i.e. the Bible is a major part of the *Taurat* (Torah). Even after the changes and adulteration made in the Old Testament what is left about usury is noteworthy. Let us have a glimpse of them.

(a) Directives to the Jews about usury

The followers of Moses are known as the Jews while the followers of Jesus are known as the Christians. The declarations and directives made in the Old Testament in respect of interest is equally applicable in modern times also because these are integral part of the Bible. For example:

(1) "If you lend money to any of my people who are poor among you, you shall not be like a moneylender to him; you shall not charge him interest". *(Exodus 22:25)*

(2) "If one of your brethren becomes poor, and falls into poverty among you, then you shall help him, like a stranger or a sojourner, that he may live with you. Take no usury or interest from him; but fear your God, that your brother may live with you. You shall not lend him your money for usury, nor lend him your food at a profit". (*Leviticus 25:35-37)*

(3) "You shall not charge interest to your brother -- interest on money or food or anything that is lent out at interest". (*Deuteronomy 23:20)*

(4) "One who increases his possessions by usury and extortion gathers it for him who will pity the poor. If anyone turns a deaf ear to the law, even his prayers are detestable". (*Ecelesiastes 28:8-9)*

(5) "He who does not put out his money at usury, nor does he take a bribe against the innocent, he who does these things shall never be moved". *(The Psalm 15:5)*

(6) "If he has not exacted usury nor taken any increase, but has withdrawn his hand from iniquity and executed true judgment between man and man, if he has walked in my statutes and kept my judgments faithfully -- he is just; he shall surely live!". *(Ezekiel 18:8-9)*

(7) "If he has exacted usury or taken increase -- shall he then live? He shall not live! If he has done any of these abominations, he shall surely die; his blood shall be upon him". *(Ezekiel 18:13)*

(b) The Church's condemnation of usury

From the advent of the Christianity, interest/usury was forbidden until the beginning of the reformation movement and separation of other churches from the Church controlled by the Pope of Rome. All the churches maintained unanimous consensus in this regard. The Church of Europe in the Middle Ages compared usurers with prostitutes for their extreme greed and miserliness.

Pope Leo the Great (440-461) laid the cornerstone for later usury laws when he forbade clerics from taking usury and condemned laymen for it. In 850 the Synod of Paris excommunicated all usurers. The Second Lateran Council (1139) declared that unrepentant usurers were condemned by both the Old and New Testaments. Pope Urban III (1185-87) cited Christ's words "lend freely, hoping nothing thereby" *(Luke 6:35).*

Judicial action was taken against those openly practicing usury and the Chuch never condoned Jewish usury activity. Christian usurers who used semantic tricks in making loans were worried about excommunication and being denied the sacraments, especially burial in sacred ground.

Usurers were required to make monetary restitution to their "victims", and if they could not be found, to the poor through the Church. Vast amounts of such money were involved in death bequests. The heirs of usurers were also required to make restitution.

Pope Innocent IV (1250-1261) noted that if usury were permitted rich people would prefer to put their money in a usurious loan rather than invest in agriculture. Only the poor would do the farming and they did not have the animals and tools to do it. Famine would result. Burudian (d.1358), a professor at the University of Paris wrote: "Usury is evil ...because the usurer seeks avariciously what has no finite limits". This places its results outside of nature – often outside of the possible. St. Bernardine of Siena (1380-1444) observed that usury concentrates the money of the community into the hands of the few.[2]

(c) Usury in Hindu religion

Usury is also condemned in Hindu religion. Hindu law givers have detested usury and Manu tops the list in this respect . His dictates, orders, rulings and advices were collected in book form known as *Manusamhita* or *Manusmriti*. This was done probably during the 200 BC to 200 AD. The social and family laws and code of conducts to be followed in the daily life are incorporated in it. Even his advice for the kings and the laws to be followed to run the kingdom were accepted with due veneration and were obeyed widely. His book was the first of its kind and still regarded to be at the top. About usury he said-

“গোরক্ষকান্ বাণিজিকাংস্তথা কারুকুশীলবান।
প্রেষ্যান্ বার্ধুষিকাংশ্চৈব বিপ্রাণ্ শুদ্রবদাচরেৎ ॥”

(*Manusamhita,* Chapter 8, Verse 102)

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2. Stephen Zarlenga, *The Lost Science of Money*. http:// www.moneymuseum.org

i.e. Behave like shudras (i.e. outcast) to the cowboys, traders, cooks, dancers, slaves and to the brahmins who devours usury. (Tr. Suresh Chandra Banarjee, *Manusamhita*, Ananda Publishers Ltd, Calcutta, 1999).

The above verse clearly testifies to the fact that usury was in practice and people of different classes were involved in it. But if the brahmin (i.e. the priest class) accepts usury he should be behaved like the shudras (i.e. the outcasts). In the class system of the Hindu religion the Brahmins top the list. The Khattriya (i.e. the warrior class) and the Vaishya (i.e. the trading class) followed by. The Shudras were considered of low breed and hence declared outcast. They had no place in the society. Manu was of the opinion that if the highest class of people of the society i.e. the Brahmin deals with usury he should be treated as outcast. This shows how usury was looked upon in the society in the then India. The top class honourable people should not, in any form, be associated with this detestable aspect of the economy. But if they ignore the dictate they will loose their high status.

In another important religious book of the Hindu religion it is said,

"চিকিৎষস্য ভিক্ষোশ্চ তথা বার্ধুষিকস্য চ।
পাষন্ডস্য চ নৈবান্নং ভুঞ্জীত নাস্তিকস্য চ ॥"

(*Brihod Dharma Purana*; 2nd part, Verse 63)

i.e., Do not take the food of the physicians, beggars, usururs, atheist and of the rogues.

The above verse testifies to the fact that usury was detested in the society so much so that acceptance of food from the usurers was prohibited. Alas! the Hindus of the modern days do not pay any heed to the dictates of their law givers.

(d) Great philosophers' views on usury

Famous great philosophers and humanitarians of the ancient and the Middle Ages stood firm against interest. They focused on the evil effects of interest and delivered strong statesment against it. Aristotle (384-322 BC), the great Greek philosopher, said in his famous book *Politics* labeling interest as unnatural profit and said that trading of money like other commodities is a kind of forgery wherefore it could not have any legitimacy. Aristotle understood that money is sterile; it does not beget more money the way cows beget more cows. He knew that ‘‘Money exists not by nature but by law’’. ‘‘The most hated sort (of wealth getting) and with the greatest reason, is usury, which makes a gain out of money itself and not from the natural object of it. For money was intended to be used in exchange but not to increase at interest. *(Politics)*.[3]

Plato (427-347 BC), the great Athenian philosopher, blamed interest in his book *Law*. Thomas Aquinas (1225-1274), the great Italian philosopher, argued against interest and said that money is a medium of exchange. It is used up when it is spent. To charge for the money and for its use is to charge for the money twice. Undoubtedly, this ‘double charging’ is unjust. He refuted the arguments of those who claim interest as the price of time saying that time is that kind of common wealth upon which everyone whether he is a lender, debtor or any one else has equal right and ownership. In this situation if the lender charges for time just for his own sake ignoring others right, then this business would simply be an unfair one.

Karl Marx (1818-1883), the German economic philosopher, was an ardent critic of capitalism and theoretical exponent of communism. He criticized interest and its users very strongly and harshly *[Capital, vol.2]*. He expressed the desire to uproot interest from the economy, execute severe punishment to its users

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3. *Ibid.*

and confiscate all their properties. He considered money as a weapon of exploitation of the society. That is why during the period of the *War Communism* (1918-1921) ruble, the currency of Soviet Russia, was withdrawn from circulation. This was done when Socialism as a socio-economic system was being established under the leadership of Lenin.[4] The motive was to uproot capitalism and exploitation as well by eleminating money from the economy.

Plutarch (c. 46-120), the great Greek historian, believed that lenders of money were more oppressive than foreign invaders. Usurers were insulted in the literature of the world famous writers for their proverbial covetousness, cruelty and avarice. Dante (1265-1321), the immortal poet of Italy, placed the usurers in his *Divine Commedy* in the inner ring of the seventh circle of hell. Who had not heard the name of Shylock, a character of the drama named *The Merchant of Venice* by William Shakespeare (1564-1616), the undisputed emperor of English literature, and the name of Harpagan of the drama *The Miser* by Moliere (1622-1673), the great French dramatist?

(e) Usury in Bengali literature

Bengali literature also beares the testimony of how the usurers opressed and exploited their victims. Rabindranath Tagore, the only Noble laureate in Bengali literature, has written a famous short story on the usurers, *Kabuliwalla*. Mention should also be made of Shawkat Uthman's *Eita*, Abu Ishaq's *Jonke*. In the field of novels prominents are Shahidudllah Kaisar *(Shangsoptak)*. Kazi Imdadul Haq *(Abdullah)*, Jahir Raihan *(Hajar Bosor Dhore)*, Shadhon Chatterjee *(Goheen Gang)*, and Odaita Mallo Barman *(Titash Ekti Nadir Nam)*. How the poor fishermen of Bangladesh are being exploited ruthlessly through usury is

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4. See for details E. H. Carr, *The Bolshevik Revolution*, Vol. 2, Ch: 17; Macmillan, 1952.

narrated in the later two books. How the village people irrespective of sex, cast, creed and religion suffer from untold miseries just by seeking loans on interest and finally deprived of their properties whatever they had are vividly described in the above mentioned novels.

Interest and Islam

The stand point of Islam about interest is clear, most strict and uncompromising.The dictates of Allah in this regard is narrated in Surah *Al-Baqarah*. In this very Surah it is said,

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِنْ كُنْتُمْ مُؤْمِنِينَ (٢٧٨) فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللهِ وَرَسُولِهِ وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ (٢٧٩)

"O you who believe! Be afraid of Allah and give up what remains (due to you) from *Riba* (from now onward), if you are (really) believers. And if you do not do it, then take a notice of war from Allah and His messenger (pbuh) but if you repent, you shall have capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums)". *(Al-Baqarah : 278-79)*

Allah SWT narrates in the same *surah,* what will be the state of the usurers in *Akhirah* (the Day of Resurrection).

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ (٢٧٥)

"Those who take *Riba* will not stand (on the Day of Resurrection) except like the standing of a person beaten by *Shaitan* (Satan)

leading him to insanity. That is because they say: Business is only like *Riba*". *(Al-Baqarah : 275)*

About the dealings of interest the famous companion Jabir ibn Abdullah (RA) said,

لَعَنَ رَسُولُ اللهِ صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ آكِلَ الرِّبَا وَمُوكِلَهُ وَكَاتِبَهُ وَشَاهِدَيْهِ وَقَالَ هُمْ سَوَاءٌ

"Allah's Messenger (pbuh) cursed the accepter of interest and its payer, and one who records it, and who witnesses to it, and he said: they are all equal". *(Muslim, Mishkat H/2807)*

In the holy Quran various kinds of sins are mentioned and prohibited. Severe punishment and threats are meted out for those. But nothing is as strong and terse as with interest. That is why the Prophet (pbuh) lodged an all out struggle against interest to stop its dealings and root it out from every sphere of the society and economy. For example, when the treaty with the Christians of Nazran was signed he wrote to them clearly, "If you deal with usury, the treaty will stand void and we have to fight against you."

The business of interest of Bonu Mugheerah was widely known throughout Arabia. Soon after the victory of Makkah Allah's Messenger cancelled all their dues due to interest and wrote to his representative in Makkah that "If they (Bonu Mugheerah) do not stop taking *Riba*, fight against them."

The invalidity of *Riba* is proved by eight verses *(ayah)* of Al-Quran (*Al-Baqarah: 275-276, 278-280; Al-Imran: 130; An-Nisa: 161 and Ar-Rum: 39*) and more than forty Hadeeths. Some important Hadeeths are mentioned below:

(1) Narrated Abu Hurairah (RA): Allah's Messenger (pbuh) said, الرِّبَا سَبْعُونَ جُزْءاً أَيْسَرُهَا أَنْ يَنْكِحَ الرَّجُلُ أُمَّهُ "Interest (its sins) has seventy grades. The lowest grade of sin is to commit

adultery with one's own mother". *(Ibn Mazah, H/2274, Mishkat H/2826; Sanad saheeh)*

(2) Narrated Abdullah Ibn Hanzala (RA): Allah's Messenger said, دِرْهَمُ رِبًا يَأْكُلُهُ الرَّجُلُ وَهُوَ يَعْلَمُ أَشَدُّ مِنْ سِتَّةٍ وَثَلاَثِينَ زَنْيَةً "If anyone takes *Riba* of one *Dirham* knowingly, his sin is commiting adultery more than thirty six times". (*Musnad Al-Ahmad, Mishkat H/2825, Sanad saheeh)*

(3) Abu Burdah Ibn Abu Musa, a famous *Tabayee* and the Qazi of Kufa said, I went to Madinah and met the *Sahabee* Abdullah Ibn Salam (RA). He said to me, "You live in such a region where interest is wide spread. So, if you have any dues to someone and he presents you merely a bag of husks or barley or a bundle of grass, yet you do not accept it, because it will be *Riba*". *(Bukhari, Mishkat H/2833)*

(4) Narrated Hazrat Ali (RA) that لَعَنَ آكِلَ الرِّبَا وَمُؤْكِلَهُ وَكَاتِبَهُ وَمَانِعَ الصَّدَقَةِ وَكَانَ يَنْهَى عَنِ النَّوْحِ "He i.e. Ali (R) heard Allah's Messenger cursing the usurer, the payer of interest, one who records it and the denier to give *Sadaqat* (Deeds of charity, alms, etc) and he used to forbid wailing for the dead". *(Nasayee, Mishkat H/2829, Sanad saheeh because of shawahed i.e.similar examples)*

(5) Narrated Abdullah Ibn Masu'ud (RA): "Allah's Messenger said, إِنَّ الرِّبَا وَإِنْ كَثُرَ فَإِنَّ عَاقِبَتَهُ تَصِيْرُ إِلَى قُلٍّ "However *Riba* increases the wealth, its eventual consequence is destitution". (*Ibn Mazah, Mishkat H/2827, Sanad saheeh)*

From the above mentioned *hadeeths*, some important points about interest emerge very clearly. For example, those who are involved in interest will be considered as the greatest sinners. A little thing, even a small gift to the creditor, will be considered as

interest. The ultimate result of interest will be poverty. Interest may be of various types. Days will come when interest will spread worldwide and no one would be able to escape from it. The sin of interest is of the worst types. So, regarding interest it is necessary to adopt the highest awareness, and take the most extensive step to stop its spread and eradicate it from the society.

Allah's Messenger, the best friend of the world humanity, did not forget to mention this point even in his last public speech. He is really *Rahmatullil Alamin* and has left his mark in the historic lecture of his farewell pilgrimage (*Hajjatul wada'*). In that remarkable lecture, he broke the poisonous teeth of exploitation forever just through a mighty declaration, expressing that "All the interest of the age of *Jahiliyah* is cancelled forthwith and I declare the nullification of all interest due to Abbas Ibn Abdul Muttalib of our clan". *(Tareekhut Tabari: Seerat Ibn Hisham).*

The result of that declaration was far reaching. In the Umayyad and the Abbasid regime when Islam spread beyond more than half of the world and reigned for about nine hundred years, no where there existed interest. No transaction, no trade and commerce were done on the basis of interest. Later on, when the sway of luxury, amusement and self-forgetting crippled the Muslims, the imperialist powers of Europe got the opportunity to defeat them and destroy their economic backbone. The imperialists established their absolute supremacy in trade and commerce and factors of production.

The Muslim countries and societies could not build up any resistance against these imperialists rather they went out into oblivion. At the same time, following the industrial revolution in Europe, interest was brought forth again in new format and technique spreading all over the world covering every sphere of the society. The development of modern banking system was closely associated with the industrial revolution. Through the

banking system multi-dimensional exploitation of interest got extensively deep-rooted in the society. Insurance companies and other financial institutions added fuel to it. Interest was formally institutionalized. Now capital is being rotated among the riches which is strictly forbidden in the holy Quran, and more and more new ways of economic oppression and exploitation are widely spreading even at the grass root level of the society from the grip of which it is not easy to get rid of.

Evil effects of Interest:

Analyzing the history of mankind and various socio-economic studies at least fifty evil effects (small and big) of interest are found. These evil effects may be grouped under moral, social, economic and international category. Out of those most important evil effects are discussed below.

A. Moral and social evil effects:

1. Interest, the most powerful instrument of social exploitation:

In a non-Islamic society a group of people claims a portion of other's income by way of interest. The debtor is bound to pay interest whether he earns a profit or not. He is forced to pay the money back with interest selling everything he has. The law of the land is in favour of the creditor, not the debtor. He becomes poorer. The social class discrimination further accentuates. As the creditors or the money lenders claim the fruits of the debtors' hard work they have no real contribution to the society. On the contrary, they are the parasites of the society. Fact is that these money lenders have no positive participation in any economic activity.

2. Interest makes a man selfish and cruel:

Lust for money, miserliness and selfishness are among the important characteristics of the money lenders. Interest as an economic instrument was developed out of lust for money and

aversion to work. Greediness to receive a regular and guaranteed income through interest without any physical efforts paralyze the conscience and self esteem of the interest receivers. Greed and selfishness have become so deep seated in them that their behavior changes so much so that they became targets of mockery and insult in the society. Their proverbial greed and tendency to grasp others property and wealth became the source of tales and stories. The money lenders and banks instantly grant credit to the people who are able to pay interest. But those who are not will not even get a little bit of sympathy from them let alone debt.

3. Interest creates idleness and promotes aversion to work:

In the interest based economic system just by depositing a certain amount of money with the bank one can earn a fixed regular amount without any risk and labour. This system turns capable, meritorious and otherwise hardworking people into lazy and idle one. The planning, the efforts and the ability to bear the risks that are essential to start a business or to establish an industry are lost. Instead they remain satisfied with the regular fixed amount of interest they receive against their deposits with the bank. Gradually idleness and inertia cripple them. Thus because of interest the society is deprived of the merit, ingenuity and capability of those who also have adequate capital. A simple sample survey will testify to the statement. Examples of such types of people are in abundance in the literature of the early twentieth century of Bengal. Under the prevailing interest system one can `earn' Tk. 10,000/= every month without any labour, risk and tension if he just keeps Tk. one million in time deposit account of any interest based commercial bank.

4. Interest discourages investment in socially necessary sectors:

All economic activities, be it production or service, do not yield profit at the same rate. In some cases, the rate of profit is higher than the rate of interest while in some cases it is equal to the rate

of interest and still in some cases it is lower than that. Generally the rate of profit is higher in the cases of luxurious goods and goods those are harmful to the society. Cosmetics, fancy goods, alcoholic drinks and cigarettes are the best examples to the point. On the contrary, the rate of profit is usually low for goods and services those are essential for the society. Even it can be less than the prevailing interest rate. As a result, in the interest based economy where the rate of profit is higher than the rate of interest investment takes place.

Investors are not willing to take part in the initiatives where the rate of profit is equal or less than the rate of interest. Because after the payment of interest the entrepreneur will have nothing left for him. The situation inevitably leads to the contraction of production and supply of socially necessary goods and services. But investment in this sector is very essential in the interest of the society. If there were no interest investors and the suppliers of capital would have invested at the available rate of profit, however low it may be. Thus the welfare of the society and expansion of the essential sectors along with employment would have been ensured.

5. Interest, a cause for moral degradation:

In an interest based economy capital is invested in unsocial and unIslamic activities. It ensures a fixed income for the creditors. For example, huge capital is invested for hoarding, speculation, share market, amusement, even in pornography. As income is much higher than the interest to be paid the entrepreneurs make a huge profit. Hence they can easily pay the interest. This leads to expansion of unsocial and exploitative activities in the society. Eventually values and norms get shattered and moral degradation gradually takes root in the society. As the rate of profit is comparatively lower in the socially desirable goods and services getting finance for such ventures is always very difficult.

6. Interest creates hatred and malice in the society:

By means of lending money the capitalists and village *mahajans* unjustly appropriates a big chunk of the hard earned income of hundreds and thousands of people. Moreover, many people seek loans to meet the burning consumer need which is essentially unproductive. As the loan does not yield any income the debtors eventually become the worst sufferers. They are forced to sell their movable and immovable belongings to pay off the dubt. Even the ancestral properties are sold in auction by the court to pay for the debts along with the interest due. Thus the *mahajans* and the creditors turn into blood-sucker vampires. Social hatred silently mounts against them.

It is a matter of great regret that there is no way to get *Qard Hasanah* neither from the society nor from the government because the government treasury of the present day does not resemble the *Baitul Maal* of the golden days of the Islamic *Khilafah*. Moreover, the Islamic economic system is not in existence in our country. So the poor and helpless people are bound to take loans on interest to meet the current burning needs. Consequently, after a while the creditors become the owner of the properties of the debtors. Actually they grab the small cultivable land, the homestead, the cattle and the orchards of the poor victims. Gradually the creditors swell with their newly earned wealth. On the contrary, the marginal farmers drop below the poverty line and turns into hardcore poor. There are tragic instances of cultivating the land as share cropper whose previous owner was he himself. Naturally malice and anger develops in his mind and his mental peace is gone. This is no welcome situation for any society.

7. Due to interest the poor becomes poorer, the rich richer:

The ultimate consequence of interest is the increase in class discrimination. Finding no other alternatives the needy persons

become compelled to take loans on interest. The loan is used for both productive and unproductive purposes. When the loan is used for unproductive purpose or just for family consumption the debtor becomes unable to repay the loan. As there is no opportunity to get *Qard Hasanah* in the capitalist economy, it is impossible to get loan without interest even for productive purpose, let alone for unproductive purpose. Consequently they take loans on interest and repay the debt with great effort and eventually become poorer. This leads to increased class discrimination and calls for class struggle.

In Bangladesh, a group of rich people is becoming richer because of the strategy and policy of loan disbursement of the interest-based banks and financial institutions. The poor and the middle class people do not get loans from these institutions although they have ability and entrepreneurship while the rich business class and the industrial entrepreneurs receive credit easily. A bank collects deposits from thousands of people but the collected sum is given as credit to a handful of people. A fat profit earned from this money is retained by them. Consequently thousands of people who saved the money sacrificing their current consumption are deprived of the actual share of the accrued income. Moreover, the industrialists and the businessmen realize the interest payable to the bank from the consumers in the form of price because interest is the cost of capital and every cost is to be realized while selling goods and services. Hence the slogan *Goribi Hothao* (Eradicate Poverty) will never be materialized so long the all pervading and far stretched tentacles of exploitation i.e., interest prevails in the society.

No prescription for the removal of poverty will work so long this deep seated, torturous and exploitative system of finance exists in the society. In Bangladesh exploitation, oppression and tyranny caused by interest and its extended tentacles have reached to such

a height that noted economists of the country started to raise their voice against it. (The daily *Naya Diganta*, December 25,2011).

B. Economic evil effects

8. Exploitation of interest is all out, permanent and far reaching:

Huge capital is amassed through banking and insurance system by way of attracting small savings of a large number of people. The financial institutions use these savings to lend to the investors and businessmen at high rate of interest and earn a big profit. It is told earlier that the discrimination by the banks in the disbursement of funds is a cause for enhancing class discrimination. As a result, instead of lessening the class discrimination it is becoming widespread and permanent. Moreover, in Bangladesh, some interest based banks are trying to camouflage interest in the guise of profit. Eventually the religious minded people are deceived.

Here is an example to show how exploitation can be extensive and tactful in the interest based banking system. No bank keeps the entire money deposited with them intact in its vault. Generally the banks disburse 90% of the deposits among the entrepreneurs and businessmen and charge interest on it. They, in turn, realize the extra sum payable to the bank due to interest from the consumers in the form of price. As interest is the cost of capital and every cost is to be realized, this cost is added to the price tag of the goods and services. It may be mentioned that those who deposited money with the bank for a secure earning in the form of interest also have to pay this price. Neither can they be excluded nor are they exempted from paying interest.

Thus the banks earn through interest and pay the depositors a small return in the form of stipulated rate of interest. The difference between the two rates is the actual income of the bank.

The bank authority keeps a certain portion of its income to cover operating cost and to make good for the mandatory reserves. A certain percentage is allotted for the depositors and the rest goes to the share holders as dividend. Thus the depositors become loosers in the long run. Do they ever think that they are paying a higher rate of interest in favor of the bank and receiving a lower rate of interest and thus becoming looser at the end? The answer is No. On the contrary, they become delighted on receiving the annual statement of account to see an extra amount of money added to the original sum deposited. The situation can be explained with an example.

Example No. 1

Description of transactions	Rate of Interest
(a) Depositor (=Consumer) pays interest to the businessmen in the form of price.	16%
(b) Depositor receives from the bank as interest.	8%
(a)-(b) Net loss incurred by the depositor for his savings in the bank.	8%

Under the prevailing interest-based banking system and for the interplay of macroeconomic strategy this actual but hidden exploitation cannot be stopped.

9. Landless peasants are increasing due to interest:

In an agrobased economy even when the farmers have no food to eat they seek credit to cultivate lands due to the urgency to produce crops. Because it ensures him employment and food security for the next season. But they do not get institutional credit in times of need because of official ‘redtapism’. They are forced to seek help of the well- to-do people of the village and there are people who are ever ready to jump on this situation. In

the rural areas they are popularly known as *Mahajans*. They are also seen in the towns and cities. They provide credit to marginal farmers, share croppers and small traders. They even supply paddy on loan for family consumption on hard terms and conditions.

Generally they charge Tk 200/= per month per thousand taka till the debtor repays the debt. In the case of paddy one must pay double the quantity he took on loan. The logic is: they help the farmers either by cash or by paddy to produce the crop. So it is very 'natural' that some reward is their due in return of such 'help`. It may be mentioned that in the period of *Jahiliyah* dates were given on loan in such a manner. However, the peasants are left with very little after the repayment of the loan, either by cash or by crop. So they are forced again to borrow to run the family. They are hardly able to come out of this vicious circle of debt. Gradually the credit accumulates and grows up beyond the repayment capacity of the farmer and ultimately he is to hand over his cultivable land to the creditor i.e. the village *Mahajan*.

Farmers also borrow from agricultural banks as well as from other commercial banks and cooperative institutions. They cultivate with the expectation of a good crop and good weather. But no one can be sure about it. Crops may be damaged due to sudden flood, hurricane, unexpected drought or severe attack by pests. But the farmers are to repay the loan plus the amount of interest in due time. In this situation either they are to go out for new loan or repay the loan along with interest by selling a piece of land or pawning their properties. Otherwise the banks and/or the *mahajans* will sue him in the court and get a decree to acquire his property.

It may not be out of place to cite an example here. Suppose, a farmer borrowed Tk. 10,000/= with 16% interest to grow potato. He will have to earn additional sum of Tk. 1600/= along with the

principal sum to pay for the interest. To compensate for the additional sum either there should be a rise in the price of potato or additional quantity of potato should be grown in the same period. If the average price of potato is Tk. 400/= per maund, an additional quantity of four maunds of potato should be produced. If there is an increase in production per acre of land there will be a fall in price level. If the price falls by Tk. 50/= per maund then there will be a shortfall of Tk. 200/= in the same four maunds of potato. The total sale proceeds will be well below the expected income. Eventually the farmer will face a set back. This is the fundamental reason for the increase in landless peasants in Bangladesh. In 1947, during the partition of India, among the peasants of East Pakistan 27% were landless. The scenario dramatically changed in less than 40 years. According to the agricultural census of 1983-84 the number of landless peasants of Bangladesh climbed to a staggering 69%. [*Source: Statistical Pocket Book of Bangladesh, 1986;* Bangladesh Bureau of Statistics (BBS), p. 179]. The scenario did not improve as yet.

It may be remembered that after the creation of Bangladesh the Agricultural Development Bank granted credit to the farmers on a continuous basis. During the period of President Shaikh Mujibur Rahman payment of rent of agricultural land up to 25 bighas (8 acres plus) was exempted. During the period of President Ziaur Rahman Tk. 1,000 million was disbursed among the agriculturists under IICP loan. Almost the entire money along with the interest due still remained unrealized. On top of it after being elected Prime Minister Begum Khaleda Zia condoned agricultural loans up to Tk. 5,000/= to keep her election promise. Why then the numbers of landless farmers are increasing? The answer is simple and straight. It is because of interest based loan. Not only in Bangladesh, in the countries where no major technological change has taken place or government special assistance to the agriculturists in the form of price support or

input subsidy is not provided small and marginal farmers are reduced to landless peasants due to interest based credit.

10. Interest creates monopolists:

Small businessmen do not get credit from commercial banks and other financial institutions on the same terms and conditions and for the same time frame as do the big businessmen. Hence their ability to compete differs. Due to this discrimination and uneven opportunity to compete big businessmen become bigger one over time. Small businessmen fail to compete, lag by and ultimately are wiped out of the scenario. Not only commercial banks but also investment companies and financial institutions give special privileges and grant loans to big enterprisers at low rates of interest. The small industries are deprived of these privileges. As a result big industrialists enjoy all the privileges of a monopolist. Consequently economic disparity becomes more pronounced.

11. Interest helps circulate capital among few people:

Because of the ability to pay and to realize interest capital circulates and increasingly accumulates in the hands of the rich. It appears that commercial banks, investment companies, insurance companies and the rich class conspire among themselves in an interest based economy. They maintain strong connection which is apparently invisible. Moreover, if anybody can accumulate wealth through inheritance, miserliness or in unlawful ways he has the opportunity to increase it continuously by resorting to interest-based loan/investment system. There is no room for the people of small means. As a result the rich class exploit the society and monopoly dominates overwhelmingly. Consequently economic disaster befalls on the economy and the suffering of the toiling mass knows no bounds. That is why Allah, the Almighty proclaims in the holy Quran, "Let wealth do not circulate among the rich only" *(Al Hashar: 7)*.

In the interest based economic system few people can really amass faboulous wealth. A recent study testifies to the fact. According to Wealth X, an independent research organization, out of the total world population of 7 billion just 185,795 person together are the owners of an incredible amount of wealth, nearly US $ 25 trillion (The daily *Prothom Alo*, Supplement, December 31, 2011). Never in history not so few people were the owners of such unbelievable quantity of wealth, not so few people enjoyed so much power in the past. Everyone agrees to the fact that the Wall Street controls the economy of the USA, even the world at large. That is why to stop such exploitation and uproot its sources the common people of the USA irrespective of sex, age, colour and status staged demonstration on the street from September, 2011 and called for a movement- Occupy the Wall Street. The demonstrators are still out in the street and their numbers are on the increase.

12. Interest, the main reason for price hike:

In an interest free economy the producer determines the sale price of his goods considering the production cost, transport cost, vat, tax (if any), storage cost and any other tangible cost plus a normal profit. But in an interest based economy it is logical and natural that interest is a component of price i.e., interest will be added to the sale price of goods and services. There are instances where interest is added twice or thrice to the sale price of a good before it reaches the final consumer.

Take the case of clothes. Cotton produced in our country fails too meet the demand of our textile industry. So cotton is imported from abroad. Businessmen import raw cotton from abroad and they add interest on its sale price to meet the amount of interest payable to the banks for the loan he took from the bank. Again mills that produce yarn from the same cotton add interest when they sell the yarn to the textile mills, because they also borrowed

from the banks to buy the cotton. Again the textile mills add interest on the sale price of the produced cloth because they also took loans as running capital from the banks to buy the yarn. In this way interest continues to be added if the process lingers. The ultimate buyer bears the burden of this bundle of interest. He pays a higher price which is the result of adding interest to the actual cost.

Here is an example to explain the point. Suppose an importer borrows Taka one million from a commercial bank to import raw cotton from abroad. What will be the price of cloth made from this cotton when it reaches the ultimate consumer when interest is added at different phases? To understand the actual situation two assumptions are made: (a) at least at three stages- import, production and marketing bank financing was essential, and (b) the rate of interest was 16% in all the cases. Other essential expenditure made at different stages such as freight & forwarding charge, electricity and other fuel costs, storage, wages, vat and tax etc. are not taken into consideration just to get a clean picture.

Example No. 2

(a) If the purchase price of imported raw cotton stands at Tk. 1,000,000→ sale price of the same cotton would be Tk. 1,160,000/=

(b) If the purchase price of raw cotton by the yarn mills stands at Tk. 1,160,000/= sale price of the produced yarn would be Tk. 1,345,600/=

(c) If the purchase price of yarn by the textile mills stands at Tk. 1,345,600/= sale price of the produced cloth would be at Tk. 1,560,890/=

(d) If the purchase price of cloth by the dealers stands at Tk. 1,560,890/= sale price of the dealers would be Tk. 1,810,640/=

(e) If the purchase price of cloth by the retailers from the dealers stands at Tk. 1,810,640/= sale price of the retailers would be Tk. 2,110,034/=

From the above example it is clear that the ultimate consumers are to pay an additional amount of Tk. 1,100,340/= over the original import price of the raw cotton. The actual consumer bears the burden of this additional sum which is nothing but interest. If there were no interest the consumers would not have to pay this excess sum (Tk. 1.10 extra against actual Tk. 1.00).

Thus interest is interlaced with every consumer items, essential or non-essential, either directly or indirectly. Consumers are forced to pay this high price which is the result of interest based loan. There is no scape from it. On the contrary, if there were no interest i.e. if Islamic system of economics were in practice people would have relieved of this oppression. This would not only reduce their cost of living but would also add to their standard of living.

13. Interest is one of the biggest barriers to increase wage:

According to the law of demand and supply when the rate of interest remains high investment remains at the bottom. The entrepreneurs struggle hard to earn a satisfactory profit. Any attempt to increase wage would mean incurring loss for them. In the conventional economy number of willing investors may be great but the supply of capital remains limited if the rate of interest is low. Consequently savings inflow to the banks shrinks and eventually the banks fail to meet the demand for investment. As investment does not increase so is the case with the demand for labour. On the contrary, as the supply of labour almost always is greater than the demand for in most developing and underdeveloped countries the labourers can not raise their voice for a salary increase.

Even the trade unions would not normally venture in. Moreover, as there is continuous flow of labourers at the prevailing low wage the entrepreneurs do not yield to any demand for salary increase easily. But if life becomes miserable due to price hike and the labourers are united and become bold enough to press home their demand for an increase in wages, clashes become inevitable. The labourers take resort to such measures as 'go slow', strikes, hartal, sit down strike, abstention from work. As punitive measure industrialists sack some workers at the initial stage. But agitation increases and the owners of mills and factories adopt tough measures like lock out, closures, lay off etc. Production of the industry falls; factories fail to keep the contract and may have to incur loss as well. If in this situation the rate of wage is increased, the resultant rate of profit may go well below the prevailing rate of interest. In this situation industrialists or entrepreneurs cannot entertain any demand for an increase in wage if the rate of interest is not lowered by the financial institutions.

Examples to the fact can be cited from history. During the Meiji regime in Japan the *Zaibatsu* (a powerful financial oligarchy) did not accept consecutive demands for wage increase. Pure profit motive worked behind it. Interestingly the government also did not come forward to help the working class. In Britain the Corn Law enacted in 1815 in the interest of the farmers was repealed after thirty years to serve the interest of the industrialists. If the Corn Law prevailed the price of wheat would have increased which would benefit the farmers. But the increased price of wheat would ask for an increase in the wage rate of industrial workers which would inevitably reduce the bulging profit of the emerging industrialists. Their profit would have shrinked and opportunity for reinvestment of the excess profit would be at a stake. So they organized a strong movement to repeal the Corn Law and the ruling government duly obliged.

14. Interest discourages long term big investment:

In the interest based banking system banks show least interest to invest big amounts in projects which take long time to complete or the gestation period is long enough. This is why big industries cannot be established through interest based commercial bank financing. Big industries require large sum of money and if this is borrowed on interest a big amount of money would have to be paid for interest which is not feasible for entrepreneurs. Big mills and factories generally require three to five years to go into full scale operation. This include construction, installation of machineries, recruitment of personnel and gestation period. During this long time the amount of interest would increase in cumulative rate which is not feasible to pay by any industry. If the owner of the factory or mill incurs loss, he will certainly have to close down the enterprise. He will be a bankrupt. Only people with ill motive secure large bank loans, mostly through corrupt practices, to establish mills or factories but ultimately they do not repay the loan. Usually they default and reschedule the loan repayment scheme. Years roll on but they do not repay even the principal sum. In many cases they are political heavyweight. So the banks become helpless to realize the money. Thousands of crores of take remain with this type of debtors and the banks suffer from supply of capital.

15. Interest encourages investment of savings in unproductive government securities:

In the interest based banking system bankers usually buy treasury bills, government bonds and security papers with the money deposited by the people. These instruments provide a risk free, guaranteed income for the bankers. Mostly the government use this money to meet current expenses. Consequently shortage of capital occurs for investment in productive purpose. To attract more savings banks raise the rate of interest which also increases

the cost of capital. Ultimately investment declines with the resultant impact on production. This leads to price increase of goods and services, shrinkage of employment and ultimately creates a negative impact in the economy.

16. Interest reduces the purchasing power of the people:

It is already discussed that because of interest price of goods and services increases incessantly and unmistakably. Moreover, interest is one of the most important causes of inflation. Suffering of the general people of knows no bound because of the twin effects of price hike and inflation. Labourers, small farmers, people with low salary and fixed income earners queue in this long list of sufferers. As their income remains almost static over the years their purchasing power decreases gradually leaving a negative impact on their standard of living.

In the long run effective demand for goods and services also decreases. The resultant outcome is absolute profit diminishes in the mills and factories and openings of new employment creation also hampers. In many instances, producers increase the prices of their goods to keep the profit intact which serves as a blow to the consumers. Thus the purchasing power of the toiling mass degrades one or two steps more. Middle class people increasingly drop below the poverty line.

17. The entrepreneurs suffer due to interest:

So long the entrepreneurs are able to repay the debt along with interest the banks grant them credit. Even the banks increase the amount of loan. But whenever the entrepreneur incurs loss the bank pressurize him to repay the entire amount instead of helping him by granting additional financial support. The entrepreneur suffers a serious set back. Because he borrowed from the bank many times than his own capital. Now it is almost impossible for him to cover this loss. Ultimately the mill or the factory in

question is forced to close thus creating hardship for the employer and the employees as well.

18. Bankruptcy, the offshoot of interest, falls upon the nation:

Bangladesh is a glaring example of such situation. Rich entrepreneurs or industrialists obtain loans from banks or financial institutions many times against their collateral. For example, if he has asset valued at taka ten million he may receive credit to the tune of Taka 100 million. In most cases assets are overvalued, through shrewd maneuvering and the same asset is shown to different banks to get credit. Political affiliation plays a vital role in this respect.

It may be noticed that the depositors get a negligible share of the entrepreneurs' profit in the form of interest. The huge amount of profit earned by the industrialists is enjoyed by them. But in the case of closure or shut down of such industries the burden of financial implication falls on the economy at large. In Bangladesh, according to the reports published by various national dailies and financial magazines the total overdue from big industrialists and entrepreneurs would nearly be Tk. 1,000 billion. If the total collaterals and existing assets of the borrowers are sold out the debt will not be compensated for. It is also alleged that a large chunk of the credit is siphoned out of the country. Besides political affiliation, members of the board of directors of banks and financial institutions play a significant role to grant credit to their sycophants and relatives.

Although there is strong directives issued by the central bank of the country against the interference of the members of the board of directors to grant credit, either they did not pay any heed to or bypassed the directives. Moreover, in many cases the banks had to write off the loan under special circumstances. Many commercial banks suffer from shortage of loanable fund and fail to fulfill all the prescribed requirements of the central bank. In

some cases, the central bank had to come forward to rescue the banks from grave financial catastrophy.

19. Interest is the cause of instability in the economy:

It is very well known to everyone that in the capital market if the demand for money decreases the rate of interest also decreases and if the demand for money increases the rate of interest also increases. It is observed from the analysis of time series data of various countries that the rate of interest cannot remain constant over time.

The demand for capital starts increasing in any country with the increase in economic activities and the suppliers of capital (i.e. the banks and financial institutions) take this opportunity to raise the rate of interest. As long as the rate of profit remains higher than the prevailing rate of interest the demand for capital remains constant. But the situation does not last long. As competition in the market increases rate of profit begins to fall. Consequently the demand for capital also starts to fall. In this situation the financial institutions start to decrease the rate of interest to attract new entrepreneurs. But the situation hardly improves. In this case the rate of interest paid to the depositors is slashed, in some cases by half. The situation worsens. Flow of savings in the banks falls dramatically while the banks' income also decreases because they had already enough liquid capital to invest. Such situation occurs in the economy periodically and creates uncertainty among the investors especially among the prospective new entrepreneurs. Very shaky and unstable situation occurs in the capital market, share market and also in the commodity markets. Ultimately the whole economy falls prey to this situation and severe reactions and economic stagnation affect the entire country.

The very glaring example of this situation in the present century is the economic catastrophe of the USA of 2006-2008. Many banks declared themselves bankrupt, many industries merged

together to avoid closure while many more collapsed. Real estate business came almost to a halt, mortgaged buildings were offered for sale, one in 10 minutes. Ultimately the Obama government had to come forward to salvage the economy from deep financial crisis with a package programme of US $700/- billion. The USA economy still staggers and could not come out of the shock and its far reaching effects are felt in the entire European economy. In the G-8 countries the governments had to come forward to rescue their economy with astounding amount of financial support in the form of package programme.

20. The ultimate impact of interest is prolonged slum:

According to most market economists slum and boom occur in the economy in cyclical order due to interest. It is shown earlier that demand for and supply of capital are determined or controlled by interest in the conventional economy. In the ultimate analysis uncertainty and instability prevail in the whole economic scenario. This is not desirable for any economy. With the increase in the rate of interest investors do not easily seek credit from banks and financial institutions which creates direct impact on investment. This results in the reduction of production and ultimately sacking of labourers. The banks then reduce the rate of interest in the hope of attracting investors. This generates hope and prospect of earning profit among the old and new entrepreneurs. They seek credit and start operation. The government also plays a critical role in this respect from behind the scene. The slum begins to melt away and again the prospect of boom larks in the horizon. In the opinions of the great economists of the capitalist system the appearance of slum and boom in such cyclical order is not congenial for the steady growth of any economy rather it creates havoc.

Many people have the misconception that interest plays a vital role in the formation or accumulation of savings. It tantamounts to myth. Interest is rather a formidable instrument for exploitation

of the capitalists and very much detrimental to economic growth. Lord John Maynard Keynes, the great prophet of the capitalist economy, has made it clear in his epoch making book *The General Theory of Employment, Interest and Money* that interest has no role to play in savings. Even if there were no interest people would save to meet their personal needs. To meet the expenses of the rainy days and to face unforeseen big expenses people would try to save at their own interest.

21. Interest is a great obstacle to full employment and uneven distribution of income:

Keynes has shown that investment is constrained by interest. An in-depth study of economic situation of any country would show that investment has shrinked coupled with decrease in employment generation when high rate of interest prevails. On the contrary, when the rate of interest was minimum demand for investment increased manifold along with economic activities. In the opinion of Keynes the target for full employment is achieved when the rate of interest becomes zero. A look into the present condition of the industrial sector of Bangladesh will testify to the fact. The owners of the garments and knitwear industries, who earn the largest chunk of our valuable foreign currency, have raised the demand to decrease the current rate of interest charged by banks.

They are of the opinion that if the current interest rate of 16%-18% charged by the commercial banks is not lowered to a minimum of 5%; they might have to incur loss. The smaller entrepreneurs may even have to shut down the enterprise. Owners of other mills and factories have raised the same demand. In the event, the Bangladesh Bank, the central bank of the country, issued necessary directions to the commercial banks to lower their rates of interest to a logical state *(The Daily Sangram,* February 21, 2008). If the export oriented industries are closed, hundreds and thousands of wage earners will loose their jobs, the

government will be deprived of taxes and duties while the country will loose her valuable foreign currency.

Ability to pay interest coupled with adequate collaterals are the criteria to receive credit from banks. The small entrepreneurs can hardly expect a good amount of credit because they cannot provide adequate collaterals. This difference creates disparity in earnings and ultimately leads to uneven distribution of income. By nature interest based economy supports and co-operates imperfect competition that gradually drifts towards monopolistic competition which breeds, in its turn, economic disparity and ultimately leads to social disparity.

22. Interest directly adds to inflation:

One of the basic reasons for inflation in the economy is interest. It is already discussed that in the interest based economy price of goods and services continuously increase due to interest. When inflation occurs in such an economy price spiral becomes inevitable. Unfortunately income of the general people does not increase concomitantly with the increase in price of goods and services. Life becomes miserable.

Commercial banks create multiple credit against the deposit they receive. The debtors use the money for commercial purpose but actually there is no real supply of money. The entire transactions are done on paper but this adds to the buying or spending power of the clients which is reflected in the market. The natural outcome of the whole activities is inflation. There is no escape from it.

Commercial banks supply loan to the government to meet the budget deficit. Thousands of corers of taka are borrowed by the government from commercial banks to meet expenditure the development programmes proposed in the budget. But there appears no positive correlation between these expenditure and the production and supply of goods and services. Supply of money

increases in the market but not the goods in proportionate quantity. Price soars up incredibly. No measure to control this price increase proves adequate or effective enough. The unscrupulous businessmen sell their goods, which were already in stock, at this high price and accumulates huge profit while miseries of the common people know no bounds. The degradation in their living standard cannot be stopped. When the government comes up with some corrective measures they fail to do anything tangible. The rate of growth falls along with the purchasing power of money.

23. Interest is the main obstacle to self-reliance through micro finance program:

Poverty alleviation through self employment is always welcome and is an age old practice. Recently this practice has gained momentum and spread to grass root level with the participation of the NGOs through their micro credit program. Policy of disbursing credit to help the poor to make them self-reliant has now spread all over the world. But the rate of success is questionable. Because the profit earned by the client through this program is very marginal, sometimes either it is zero or negative because of the condition of repayment attached to it. The rate of interest charged for the micro credit is much higher than the usual bank rate. Consequently the lion's share of the income earned by the client through hard labour goes to the NGOs in the form of interest. The actual rate of interest paid by the client is much higher than is normally claimed. Researchers claim that the rate of interest finally paid by the clients reaches as high as 142%. This is because the rate is charged on the total sum granted while a substantial amount of money is deducted in the form of subscription to the group fund, risk fund and savings before the actual disbursement of the loan. For example, if a client is granted a loan of Tk. 5000/= he/she will actually get Tk. 4000/=

after all the deductions are made but he/she will have to pay interest on Tk. 5000/=.

Studies reveal that except a few cases the clients of the NGOs failed to be self reliant. They usually have nothing left in the form of savings which they can use further as capital. The grim reality is that once a man/woman becomes a client of any NGO, he/she becomes client of one or two more NGOs to keep the payment of installments of credit going. The so much publicized micro credit program could not bring the desired panacea for the poor. The truth has been reflected in the seminar of the *Palli Karma Sahayak Foundation (PKSF)* held in March 2010. Participants were of the opinion that unless the rate of interest is lowered down to a reasonable rate possibility of self-reliance will be far away. If one does not have his own capital he is to depend on others. He is to seek help of the *mahajns*, bankers or any other financier. The micro-credit people or the NGOs wait for this opportunity. These institutions never sincerely wanted that their clients be gradually really self-reliant. If that really happens they will loose their fertile field of income through interest. This is why they are not interested in profit-and-loss sharing (PLS) investment system. They are interested in giving interest bearing credit. In reality, they are not alleviating poverty rather cultivating poverty. According to Professor Muhammad Yunus, the Nobel Peace Prize winner, poverty was to be seen in the museum but the grim truth is it still exists and expands with all its evil tentacles.

C. Political and international evil effects

24. Interest increases the burden of foreign debt:

Governments of developing countries seek loan from developed nations and international financial bodies to build socio-economic infrastructures and for industrial development as well. These loans are to be refunded after the stipulated period of time along with the predetermined rates of interest. Unfortunately,

most of the loans cannot be refunded in due time. The unhappy picture is the desired industrial and infrastructural developments are also not achieved. Consequently, it becomes difficult even to pay the interest, not to speak of refunding the principal sum. In such a situation governments reschedule the payment period and seek further loan to repay the earlier ones. Generally the new loan exceeds the previous one in volume. In many cases these loans once received are not used for the original purposes it was sought for. The governments divert it to other less important or unproductive sectors. But the real and ultimate burden of these credits, however soft or hard it may be, fall on the general mass along with the interest. People are to pay additional taxes levied on them through annual budgets to repay these loans.

If natural disaster or calamities strikes a country like earthquake, cyclone, unprecedented flood or shortage of food grains occurs the concerned governments seek aid and grants from friendly countries or take loan from consortiums. Apart from aid and special grants all other credits are to be repaid in due time. But as the loans are used mostly for rehabilitation and consumption purposes it neither contributes to production nor guarantees employment. Hence repayment of the principal amount becomes difficult. Many a time the government takes resort to debt servicing i.e. pays only the interest while the principal amount remains unpaid. Again the government reschedules the repayment scheme and additional tax burden is imposed on the general mass, mostly in the form of indirect taxes. The purchasing power of the people decreases and their standard of living falls below the previous level.

25. Relationship between the rich and the poor countries turns to be the exploiters and the exploited:

Countries of the world are broadly grouped into two categories – rich and poor, or in other words, developed and developing. Poor countries are actually not poor. Most of them have either

adequate manpower or abundant natural resources. But they lack either adequate capital or modern technology to utilize these resources effectively. The rich countries tactfully use this opportunity in favour of themselves. The technologically developed and financially rich countries of Europe, the USA, the IMF, the World Bank and the Asian Development Bank leave no stone unturned to keep these poor but resource-rich countries in their clutches. The fine and attractive trick is to suggest the governments of these countries to undertake various million or billion dollar development projects.

Once the governments swallow the sugar coated pilles the developed countries and/or the international financial bodies send consultants and experts to chalk out the details. When the concerned government approves the project the question of fund arises. These bodies/governments approve the fund to be repaid in long term with the stipulated rate of interest. The interesting part to be noted is the fund is granted on stringent condition such as the consultants are to be paid from the fund in foreign currency, the plants, machineries and equipments and other necessary industrial and engineering items are to be purchased from the prescribed countries and, in some cases, the produced goods are also to be sold to the financing countries. The giant multinational companies (MNC) also play a vital role from behind the scene. They play their exploitative role under the umbrella of the world financial bodies. The developed countries try to augment the natural resources of the poor or so called developing countries as quickly as possible which are very crucial for their own economy.

With the agreement for credit signed the country is forced to obey the dictates of the financing country. Sometimes they even exert political pressure. As the credit is to be repaid in long term and through yearly installments the debtor country must pay the

interest accrued to it annually. In the name of debt servicing i.e., payment of interest of the principal sum Bangladesh paid a total of US$ 190 million in the fiscal year 2009-2010 *(Source: Bangladesh Economic Review, 2011,* p. 46, Ministry of Finance, Government of the People's Republic of Bangladesh, June 2011.)

It is alarming to note that the big financing countries gradually try to control all the important institutions of the country- the political parties, the newspapers, scientific research bodies, art and literature and even religious institutions. They decide which party should rule the country and most policies of the ruling party they maneuvered to install are framed according to their dictates. Sometimes these are done openly, but in most cases done in a subtle way. The IMF, the World Bank, the ADB give directives to formulate Poverty Reduction Strategy Paper (PRSP) or to draw a five year development plan to alleviate poverty or to reduce income gap but the ultimate outcome proves to be the otherwise. Poverty at the grass root level increases, more people drop below the poverty line and the income gap widens more than before.

In the final analysis the root cause of this situation is interest. Interest is to be paid from the income generated. But the lion's share of the project finance is taken away by the financier country in the form of consultancy service, price of capital goods and fees for technical know how. The money left for actual use is, it is alleged, some times zero or even negative. Meanwhile inflation increases manifold. The cost of the project also escalates. This necessitates more funds which again increase the burden of debt along with interest to be paid. Thus the interest based credit of the developed countries has turned into an instrument of exploitation which is a new facade of imperialism. This has created a new dimension of relationship among the rich and the poor countries. The rich is the exploiter while the poor is the exploited.

Ways to get rid of:

What are the ways to get rid of from the evil effects of interest and its destructive consequences? It has already been mentioned that during the reign of Islamic *Khilafat*, no element of interest was found in the Muslim world for long nine hundred years. But when the Muslim rule began to weaken, when the imperialist powers of the Western capitalist countries began to capture the Muslim countries one after another, the backbone of their economy began to break. Trade and commerce, wealth and property—all went to the hands of the imperialists. This was the time when interest started to spread in an institutionalized form. When, after a long time, these countries regained political freedom interest had already got inextricably intertwined in the economic activities. No attempt was made by the governmets to eradicate interest. No meaningful effective measures were taken to uproot interest from the society by the *Ulama* and social activists as well. In order to remove interest from the society, sporadic initiatives to set up financial institutions based on Islamic principles were taken towards the end of the last century. But in Muslim countries like Bangladesh interest is a deep seated phenomenon actively present in the socio-economic as well as in the daily lives of the people. With a view to eradicate interest from the society by phases, and from the economic activities forever, some realistic action programs are suggested below.

A. Social Programes

1. Creation of public awareness

In order to eliminate interest from the society there is no alternative to rouse public awareness. About 85% people of Bangladesh are Muslim. They do not hesitate to sacrifice their lives for the sake of Allah SWT and His Prophet (pbuh). But due

to lack of appropriate knowledge of Islam many of them do not know that interest is strictly forbidden in Islam. Some people say that the devine dictates were appropriate back in 1400 years ago, not for the present days. *Na'ujubillah.*Their argument is that interest of the banks and interest charged by a person cannot be treated in the same way. Their point is that banking system was not invented in the age of the Prophet (pbuh). So banks remain beyond the fold of this restriction.

Another group of people says that Arabic *Riba* and English interest does not carry the same meaning. But as far as the dictionary and practical meanings are concerned, both *Riba* and interest express the same meaning. A detailed discussion about it can be found at the beginning of the book. In the holy Quran Allah SWT emphatically says وَأَحَلَّ اللهُ الْبَيْعَ وَحَرَّمَ الرِّبَــا "Allah has made business *Halal* (permitted) and interest *Haram* (forbidden) *(Al-Baqarah: 275)*."

Majority of the general people are not really aware of this dictate of the holy Quran. This is why it is important to make them aware of this divine revelation to them with appropriate importance. In order to highlight the harmful aspects of interest, the fact that should be very clearly explained at first is that as income derived from interest is *Haram* anything associated with interest is also *Haram* and living earned by adopting *Haram* means is strictly forbidden in Islam. The Prophet (pbuh) says: لَعَنَ رَسُولُ اللهِ -صلى الله عليه وسلم- آكِلَ الرِّبَا وَمُوكِلَهُ وَكَاتِبَهُ وَشَاهِدَيْهِ "Among you the people who takes interest, and pays it and records the calculation of it and witnesses to it are all subjected to the curse of Allah" *(Muslim H/1598; Mishkat H/2807)*.

According to the authentic Hadeeth, to stick to *Halal* earning is one of the basic preconditions for the acceptance of prayer

(Muslim H/1015; Mishkat H/2760). Hence there is no possibility of acceptance of our prayer whatever may be by Allah SWT if our earning is not *Halal*. From this point of view all our prayers and worships will be fruitless if we fail to abandon interest and all other *haram* sources of income. The ultimate result is the deprivation of mercy of Allah and sure severe punishment in the world Hereafter. So in order to keep our *Iman* steadfast we should leave no stone unturned to earn in *Halal* ways and take appropriate steps in discarding all kinds of *Haram* means. Real success in the life of a *Mu'min* actually lies in the attainment of *Halal* and abandonment of *Haram*. To attain it a continuous and sincerest effort is of utmost importance.

The goal of abolition of interest can be attained through creating extensive public awareness. Generally governments hardly take initiatives to do anything beneficial or essential for the people unless people themselves actively press their demand for it. So steps for eradicating interest should be well designed, pragmatic and people oriented. The first essential move should be the creation of mass awareness. Since a large section of our people is yet uneducated, the task is somewhat difficult and troublesome, but not impossible because the people of our country are very religious minded. If they are properly motivated and made understood about the dictates of Islam and how to achieve it, elimination of interest from the society and economy would be a question of time but not unattainable. The following measures may be taken into consideration to achieve the goal.

Firstly, we can take the help of the *khuthba* of *Salatul Jum'a*. People of the locality assemble in the mosques to attend *Salatul Jum'a* as many as fifty two times a year. In the *Khutba* various Islamic matters are discussed. Along with those matters if the Imams discuss the harmful aspects of interest with examples and

how much damage does it cause to the economy consciousness to avoid interest will gradually be created among the people.

Secondly, Imams and religious leaders deliver lectures in many occassions, especially in the *Tafseerul Quran Mahfils*. Thousands of people gather there. If in those congregations positive aspects of the Islamic economy along with the harmful aspects of the interest based economy are discussed, it will touch the mind of the people, awaken the spirit in them which may help in avoiding interest resulting in the implementation of the Islamic economy.

Thirdly, wall writing and postering is another effective way to make the general people conscious about the harmful aspeces of interest. Through this measure the dreadful effects of interest and importance of *Halal* earning can be highlighted beautifully and attractively. Colourful posters with big characters and beautiful designs usually attract the attention of the people. Similarly beautiful slogans and catchy words of wall writing will touch the heart of the people. In the developing countries, apart from the political, social and cultural organizations, the governments themselves take resort to this step to motivate the people and get the message well circulated and understood even in the far flung areas of the country.

Fourthly, staging of drama, discussion and talk show in radio and television are very powerful cultural tools. Although television influences people more, the effectiveness and acceptance of radio cannot be underestimated. It is still a popular media especially in the rural areas with rivers, cannels and vast agricultural lands and where there is no electricity. Different kinds of programmes highlighting the exploitation and harmful impact of interest can be telecast in radio and television. There are many non government radio and TV channels in Bangladesh. Many programs based on Islamic ideology are broadcast from these media regularly. Through these programs, *Haram* earning and its

evil consequences can be presented entertainingly to the public. Comprehensive discussion on exploitative features of interest may take place. In talk shows if the experts on the subject deal with the matters, hundreds of people might get insight into it and would be benefited greatly. This might arouse self-realization. As a result, it may be hoped that many of the listeners and viewers would take active initiative to avoid interest.

Fifthly, publishing of sub-editorials and articles in the newspapers not only prove educative but they leave their marks on the minds of the careful readers. Interest is economically, socially and morally detrimental. Articles may be written highlighting these aspects and published in the newspapers. If this goes on a well chalked out plan and in a systemetic manner, it will certainly stir consciousness among the people. Similarly sub-editorials appealing to the government and the leaders of the country may also be published. It may be mentioned that the column titled *Rajnoitic Rangomoncho* (political stage drama) published in late 1960s in the *Daily Ittefaq* played a pivotal role in achieving the liberation of Bangladesh. Currently some daily newspapers imbued by Islamic principles are being published in the country. If these dailies come forward to carry on this task, it will be a great service to the cause.

2. Rousing the sense of answerability for the world Hereafter

The Muslims have two phases of life, life in this world and life in the world Hereafter or life after death. Life after death is eternal but life in this world is temporary. In the life after death we have either exciting rewards or painful punishments. If we lead our life according to the ways directed by Allah SWT we shall get ever-enjoyable life in the world hereafter. But if we do the otherwise, we shall have to face serious consequences in the life after death. Allah SWT Himself has said خَالِدِينَ فِيهَا وَبِئْسَ الْمَصِير "This

punishment will continue and hell is the worst place" (*At-Tagabun: 10)*. *Haram* earning for living and consuming *Haram* things are major reasons for which the children of Adam will have to undergo severe punishment in the world hereafter. The Prophet (pbuh.) said لاَ يَدْخُلُ الْجَنَّةَ جَسَدٌ غُذِّيَ بِالْحَرَامِ (The body that is fed by *Haram* food will not enter into the Paradise) *(Shu'abul Iman, Mishkat H/2787)*. *Haram* food does not mean only the foods made of *Haram* things, but foods procured with *Haram* earnings are also considered *Haram*.

Interest, bribery, theft, speculution, adultery, hoarding, forgery, malpractices in measurement, smuggling, gambling, black marketing, deception etc. all are *Haram* in Islam. It has already been said that *Halal* livelihood is one of the preconditions of the acceptance of our prayer. Therefore, it is needless to say that *Haram* earning will not be of any use in the world Hereafter, rather its consequences will be dreadful. That is why, like all other *Haram* earnings, interest must be abandoned. Not only earning by interest but calculation and recording of interest will have to be stopped. i.e., there will be no relationship with interest by any means. Otherwise we shall have to face an awesome consequence in the world hereafter. Thus rousing the sense of answerability in the *Akhirah* demands utmost importance.

The devotion to Islam of the mass people of this country is enviable. But it will not be an exaggeration to say that the majority of them do not know that true worshipping of Allah lies in the obedience to the fundamental principle of *Amar bil ma'ruf and Nahee anil Munkar* (Enjoining the good and forbidding the evil). There are innumerable people who have confined Islam to the formalities of *Salat, Siam, Zakat* and *Hajj*. They believe that just by doing the rituals a man would be treated as a Muslim and be saved in the *Akhirah*. They neither try to know the basic

rulings of Islam about earning, expenditure, investment, etc nor are careful about those matters. It is, therefore, necessary to create consciousness among the people in this regard.

How many of us know about the carefulness of the four rightly guided caliphs and the companions of the Prophet (pbuh), *tabeyeens* and *tabe-tabeyeens* in respect of *Halal* earning and consuming *Halal* foods? Their deeds and examples were expected to be our models to follow. Although many people are afraid of the world Hereafter, they are either ignorant of the answerability in the *Akhirah* or are simply careless. Either putting an excuse of necessity of the modern times or being tricked by the provocation of the Satan, they are trying their utmost to attain fabulous wealth and luxuries. To them the distinction between the *Halal* and the *Haram* has melted away. Their misunderstanding has reached to such a state that they even go to perform Hajj with the ill earned money with the intention that Allah SWT will forgive their sins and misdeeds. Alas! the moral of the authentic Hadeeth is just the opposite.

3. Introduction of Islamic economy in the curriculum

The greatest misfortune of the majority people of Bangladesh i.e. the Muslims is that there is no positive corelation between their practised belief and faith and the education they receive in the schools and colleges. In the post liberation Bangladesh, except in the primary and secondary stage of general education, there is no scope at any stage of higher and specialized education to learn that Islam has a code of life, not to speak of a complete code of life. There should be an end to it. Courses relating to the faith and religion of the majority people should be included in the curriculum at both college and university levels. It demands redesigning the whole curriculum. The nation will continue to suffer and be exploited by the conventional economic system if the young men and women who will be at the helm of affairs of

administration, judiciary, law and order, trade and commerce of the country are not educated of the evils and destructive effects of interest based economy. Hence it is imperative to adopt suitable measures to enlighten them about the constructive and welfare aspects of the Islamic economy.

Education of childhood plays a strong influence on one's thinking, conscience and activities throughout his whole life- sometimes consciously, sometimes subconsciously. That is why the syllabus of schools based on a particular ideology is prepared carefully after a lot of discussion and experiments. The knowledge which is fundamentally essential to uphold national ideology, welfare of the people and to attain a prosperous society is included in the curriculum of the government-run schools and colleges. The school curriculum of the developed countries of the world bears testimony to the fact. The changes in the school curriculum of our country over the last decades are noteworthy. The glorious history of the Liberation Movement, biography of the *Bir Shresthos*, tree plantation, bad effect of over population and very recently horrible consequences of the AIDS are included in the text books.

Nevertheless, it is a matter of great regret that the discussion of Islamic ideals of life, Islamic code of conduct and the teachings of the holy Quran and Hadeeths have no place in this curriculum. As a result, millions of Muslim children are deprived of the knowledge of Islam and the Islamic way of life. The secularist and the leftist intellectuals play a mischievous role in this regard. The handful intellectuals adopt a very cunning strategy to attain their goal. With a view to ensuring that there might not be any room to learn and be informed about Islamic way of life at the school and college level, very often they arrange seminars, symposiums and workshops under attractive banners such as "importance of secular education", "necessity of science oriented

curriculum" and place the recommendations adopted there to the concerned authorities. Established newspapers associated with them also give strong support to their agenda. Consequently the government sets up education commision which are overwhelmly dominated by the secularists. They make a compromise formula to teach the rudiments of Islam upto junior level and leave no room for other basic teachings of Islam along with the concept of a complete code of life at any stage of higher education.

In this circumstance, Muslim scholars and educationists should launch an all out effort to compel the government to incorporate lessons related to the faith and belief of the majority people of the country in the school and college curriculum. It will be of great benefit to focus on subjects like the Islamic way of life, life and teachings of Prophet Muhammad (pbuh) and the rightly guided four Caliphs, importance of *amar bil ma'ruf* & *nahee anil munkar* in the society, necessity of *Halal* income, social and economic importance of *Zakat* and inevitable harmful effects of interest.

4. Adoption of social resistance

If we want to get red of the clutches of the frightening octopus such as interest, we need a strong social resistance. By adopting effective social resistance people can be kept away from many unsocial activities and misdeeds. If people are inspired and aroused socially difficult tasks can easily be completed. The tree plantation programme is a case in point. About thirty years ago, some regions of the country showed symptoms of gradual desertifiction. To counteract the situation initiative was taken to create public opinion regarding tree plantation. In addition to different programs initiated in the mass media activities were also undertaken to motivate young people, especially students of schools, colleges, *maktabs* and *madrasas* to take part in the program. As a social recognition for this work, prizes of cash

money and medals for the best individuals and institutions were awarded annually at the city, district, division and national level. Today the nation is reaping the benefit of the programme.

In the same way we have to take steps to emulate public opinion in order to eliminate interest from the society. Once strong anti-interest spirit prevailed in the society. But now interest has enveloped every economic activities. The usurers in the villages are known as *Mahajan* (money lenders). On account of affluence they earned due to money lending they have occupied important place among the social leaders. Similarly, their counterparts in towns and suburbs occupied important places in all the activities. It is no wonder that non-practicing Muslims, even the leftists have occupied the position of President and Secretary of the local mosque committees. Earning through interest is no more considered a matter of disgrace. If we do not try to resist it now, this dangerous evil and antisocial element will destroy the economy and the society as well wherefrom it might not be at all possible to stage a comeback. This is why strong social resistance is required. The stronger the resistance will be the weaker will be the base of interest. At a certain period it will collapse and perish. Few action programs to achieve the purpose are suggested below:

(i) Ceasesion of relationship with usurers

Relationship should be ceased gradually with the persons who are known as usurers in the society. At the initial stage village *Mahajan*s and money lenders of the suburbs and towns may be targeted for this purpose. They must be made to understand that because of their involvement with interest people are avoiding their company or simply shun them. This might seem difficult, but if people come forward with strong will and determination it will not be impossible at all.

(ii) Electing no usurer as public representative

No usurer should be elected as representative to any public body. If they are nominated as candidates, extensive publicity must be launched so that people do not vote for them. People should be made to understand that because of the activities of those people exploitation, oppression and tyranny will continue to prevaile in the society.

(iii) Socially boycotting the usurers

We should not give our sons and daughters to marriage with those whose parents are involved in interest/usury. Besides this, avoiding the attendance to their funeral prayer may also be a good preventive measure in this respect. In Bangladesh 50-60 years ago people in the rural areas hesitated, even denied to accept lunch and dinners of the usurers. But deep attachment with capitalist countries and lack of proper Islamic knowledge have dramatically changed the scenario.

(iv) Generating mass movement

A strong mass movement may be generated to remove the rules and regulations where payment of interest in lieu of fine is made compulsory by the government. For example, if anybody fails to pay land revenue in time he is bound to pay the revenue along with the interest. Government can impose a system of fine in lieu of interest. Why must we pay interest while it is against our belief and faith? It is, therefore, necessary to form public opinion so that the government is compelled to withdraw interest system as soon as possible from such cases and may introduce appropriate Islamic measures.

The action plans discussed above are no doubt difficult to implement. Many people will resist the initiatives initially but that should not refrain us from launching the programes. No work

is easier in the life of a *Mu'min.* Nevertheless necessary and appropriate initiatives may gradually be taken collectively by turn with firm *Tawakkul* on Allah.

5. Resistance to unnecessary social expenditure

As a social being we are to attend and arrange different social programs at times. Problems arise when these programs become the showdown of luxury and opulence. Morever, in our country, there are many rituals considered as religious but actually they are not. For instance, arrangement of a feast on or after 40 days of death of a near and dear one inviting the people of the locality and the adjoining villages to attend the same has become customary. This is a popular practice costing huge sum of money. Celebration of one's son's circumcision and arrangement of feast for the invited guests and compel them to bring gifts is another example to the point. What is more, there are many anti-Islamic events in our society like celebration of birthday, wedding anniversary, death anniversary etc. Customs and rituals added to Islamic wedding ceremony force the incumbents to spend a huge amount of money. Because of imitating the alien culture, many rituals specially *Pan-Chini* (system of seeing the bride), *Gaye Halud* (using liquid turmeric on the body of the bride) and the like along with the dreadful dowry system play a vital role in the once simple Islamic wedding ceremony. Now-a-days accepting dowry has taken the guise of gift to avoid current strong anti-dowry movement.

Very often many newly rich persons spend extravagantly to draw attention of the people to elevate them into a higher social strata. In most cases they have amassed the wealth from doubtful and *haram* sources. When any person of the lower or middle class strata is forced to arrange such festivities there arises a human problem. The social leaders order them to do this and that otherwise they will be boycotted in the locality. Unfortunately

these people do not have the ability to bear the expenditure of those alien rituals or so called custom. Finding no other alternatives they have either to sell their properties or to take loans on interest. Generally the rate of interest of this kind of loan is a great deal higher than any ordinary loan. The reason is the creditors very well know that the incumbent has no other alternatives. Obviously such loans are unproductive and falls in unnecessary category, thus it is very difficult to repay the loan. In order to repay the loan the incumbent has to sell the remaining piece of his cultivable land and even the belongings of his home. Thus thousands of small and marginal farmers are reduced to landless peasants annually. As for service holders they meet this expenditure either by taking loans from friends and relatives or from the provident fund but many are forced to take resort to illegal means.

B. Economic Programes

6. Establishment of adequate *Sharia'h* based financial institutions

To keep the economic activities in motion in modern time the need for banks, insurance and other financial institutions can hardly be over emphasized. But all conventional financial institutions are interest based, and therefore, can not be accepted by the *Sharia'h*. To resolve the problem, more than three hundred *Sharia'h* based banks, insurance and investment organizations have been established in the Muslim world in the last four decades. Many experts are of the opinion that it is not possible to make this institutions fully *Sharia'h* based, because state economy is based on interest and capitalist one by the same token. So along with their *Sharia'h* limitations Islamic banks and financial institutions face various legal obstacles in almost all Muslim countries.

Nevertheless Islamic banks and financial institutions are playing a commendable role in the countries they are operating in. Flow of deposit and investment performance of them not only equals to conventional banks but some times excells in. For example, in Bangladesh, eight Islamic banks are currently operating and Islami Bank Bangladesh Limited (IBBL) has so far received best award five times from the Global Finance for its extraordinary performance.

It may not be out of place to mention that during the *Khilafat* of the Umayyahs and the Abbasiads interest was not in practice in any form in the whole Muslim world while the Muslim bussinessmen conducted thier bussiness worldwide. Their caravan travelled through the famous silk route from Xinxian of China to Granada and Cordoba of Spain. Their ships traversed through the mighty oceans from Malakka to Zanjibar. They bought and sold goods worth millions of Dinars on every business trip which lasted for 3-4 months on average. It required huge capital also. How did they manage the need for such capital? How could they buy and sell commodities and complete business deals complying with the *Shari'ah* regulations?

The ready and simple answer is they used to follow the *Sharia'h* permitted various methods for this purpose. Prominent and important among these were *Mudarabah*, *Musharaka*, *Bai-Salam*, *Bai-e Muajjal*, *Murabaha*, *Istisna'*, *Jua'lah*, *Ijara*, *Ijara bil-Bai* etc. They never felt the need for borrowing or lending on interest. Islamic banks and financial institutions established in Muslim and non-Muslim countries throghout the world are following the same methods and principles to attract deposit and invest their funds in business and commerce. Their success stories are written in gold letters and critics are envious of their progress and success.

7. Implementation of *Qard Hasan* and *Mudharaba* policy

Qard Hasan (interest free loan) and *Mudaraba* policy can create employment opportunity for those people who lack in capital but efficient in entrepreneurship and expert in trade and commerce. This two methods also open up avenues for income for those who have idle money but are not capable physically to work or undertake any economic activity. Interactions of these two groups of people will create more jobs and increased flow of capital in the market. It is a matter of great regret that these two very important modes of Islamic financing are not available in this country while mosque based *Qard Hasan* and society based *Mudaraba* are operative in neighbouring India and Sri Lanka where the Muslims are minority. It is now imperative to implement these policies in this country. It requires motivating the rich people to give *Qard Hasan*. If the initiative could be mosque based then trusted and actually capable persons would recieve finance to work. This would alleviate poverty and help reduce the economic gap between the haves and have-nots.

There is no denying of the fact that it needs time to start *Mudaraba* policy in any country for it requires change in the conventional law and also to find out people of pristine character. Through *Mudaraba* efficient, honest and hardworking people can participate actively in the economic development of the country contributing both in employment and production. Moreover, necessary measures may be taken to change the attitude of the rich people. They need to be motivated to use their money in Islamic way. Consequently it might be easier to get loan from them without interest (*Qard Hasan*) in distressed situation. Special laws may be enacted by the government for the purpose. For example, for *Qard Hasan* amount of money income tax will not have to be paid and for *Mudaraba*, the owner of the capital

will pay tax just above the stipulated amount of profit. It is expected that rich Muslims will respond to these moves.

8. Adoption of *Zakat* based programs

To eradicate interest from all walks of life and to help the poor and the needy there is no alternative to the adoption and implementation of *Zakat* based programes. Neither there is any other suitable alternative to it nor there is any scope to compromise with it. From the days when collection and maintenance of *Zakat* fund and its proper distribution by the governments of the Muslim countries were abandoned deprivation, disparity and poverty became widespread. This is the fundamental reason for which the needy and the poor are forced to take loans on interest. The needs could be well mitigated had there been proper distribution of *zakat*.

Over and above, if the governments of the Muslim countries could collect *Zakat* and *Usher* using financial and administrative channels the amount would be adequate enough to meet the demand of the hardcore poor. A tangible and sustainable social security network can be developed out of this fund. Poor men and women of the village and suburbs may be granted financial assistance from such fund in the form of capital which they would use for self-employment. It would be deemed as their own capital, never to be returned and no profit would be shared with any one, not to speak of paying interest on it in any form.

Money due to *Zakat* and *usher* can be utilized to meet both productive and unproductive needs. The basic needs of the poor and sudden victims of natural calamities can be fulfilled through this fund. If their needs are not fulfilled from any such generous source they will be forced to take loans on interest to survive. But if they were helped from the *Zakat* fund, be it for unproductive or productive purpose, they will not have to pay interest, not to

speak of sharing the profit. No question of refunding the principal sum arises because it is a charity prescribed by Allah SWT. The concerned beneficiary may become self reliant gradually which can hardly be dreamt of in the case of so much publicized micro credit.

If any country wants to attain full employment she needs, in the words of Keynes, her ball of economic development rolling which depends on increased number of people engaged in working creating increased demand for goods and services. This demands a big push which is dependent on increased supply of capital and enthusiastic entrepreneurs. Entrepreneurship development helps begging hands turn into working tools. This target can be achieved through micro finance supplied by the *Zakat* and *Usher* fund. Human resource development is an essential component for national development. So if a simultaneous program for poverty alleviation and human resource development can be launched for the hardcore poor a lasting social peace and development can be attained. To transform the poor people into effective manpower it is necessary to provide them with education, training, health care service and housing in addition to food and clothes. Programes launched on interest based credit could never fulfill these requirements adequately. But if the *Zakat* fund is used through a well chalked out plan the program can very well help attain the desired goals.

The Bangladesh Bureau of Statistics (BBS) conducted its last survey in 2005 using Direct Calorie Intake (DCI) method to determine the number of hardcore people in the country. The survey revealed that 40.4% of the population (i.e. 56 million people) belonged to this category. (*Bangladesh Economic Review, 2011*, Ministry of Finance, Government of the People's Republic of Bangladesh , June 2011, p. 182).

The government has launched different programes of action designed in the Poverty Reduction Strategy Paper (PRSP) to bring the hardcore poor within the Social Safety Net Program (SSNP). Unfortunately, the fund earmarked for the program is much less than the adequate. If the government enacts laws to collect *Zakat* and *Usher* annually then that fund can be used on a permanent basis for this program. Neither any foreign aid and donation will be required for the purpose nor will the NGOs have the chance to cultivate poverty in the rural areas.

One may raise a pertinent question that how much money can be collected in a poor country like Bangladesh from *Zakat* and *Usher* sources. This can very well be calculated from the annual reports of the Bangladesh Bank and the reports of crop production published by the Ministry of Agriculture. It shows that a minimum of Tk. 40 billion can be collected annually if appropriate laws are enacted for the purpose. This large sum can be utilised for the people who fall within the perview of the social safety net program (SSNP). A sustainable and exhaustive social security programe should include programes such as pension for the widows and the disabled persons, financial assistance for the marriage of poor girls, assistance during advanced pregnancy and post natal care, supply of nutritions and medicine to the poor children, building of hygienic and environment friendly toilets for the poor, rehabilitation program for the people whose homes are burnt or swept away by flood. Moreover, if during the lean season the marginal farmers and landless workers are provided with minimum financial assistance from the *Zakat* fund, the demand for interest based loans will evaporate.

9. Innovation of appropriate strategy for small financing

Capital is urgently needed for employment of the poor but otherwise efficient people. The capital they ask for is small but that is also not easily available to them. To meet this demand

microcredit as a strategy for poverty reduction has spread in less developing countries and our country is no exception to it. At present in Bangladesh more than 1000 small and big, national and local NGO's are engaged in this work.

Microcredit has spread its tentacles over the whole country and enveloped the economy like a spider web. But has the economic condition of the poor, specially the rural women who are the biggest client of micro credit, really been changed for the better? There are only some microscopic examples of success which are publicized worldwide. To generalize these sporadic successes and reach a positive conclusion based on it will neither be logical nor scientific. Credit and interest are intertwined. The NGOs provide loan which is to be repaid on installment basis along with the fixed rate of interest. Finding no other alternatives to get credit poor men and women take this loan. The rate of interest of this loan is much, much higher than the commercial bank loans.

It is observed from various field researches conducted for Ph.D. degree of different universities of the country that the reduction in poverty level of the rural women through the NGO provided credit is negligible. Neither they attained self reliance nor their net poverty reduced. The main reason is that the debtors had to pay a big chunk of their income as interest along with the principal amount. As a result they have a very little surplus left in their hand. They wait for another loan. If they fail to get the loan, their employment opportunity comes to a halt again. Moreover, many of the clients of the NGO's face critical situation to pay the installment with the interest due.

Pathetic news are published almost regularly in the daily newspapers of the country that fieldworkers of the NGO's tear away tins from the roofs of their defaulting clients, snatch away their milch cows and so on. They even forced the married women to give away their nose-opal to pay for the installment. This is

considered a grave social insult in the rural society. Reports of committing suicide, especially of women clients, for insulting behaviour by the field workers of the NGOs meted out to them after the failure to pay the installment on time, are on the increase.

To get rid of this situation alternative Islamic policies should be practiced. It is the need of the day to introduce micro financing replacing micro credit. Measures should be taken to adopt policy of investment, not disbursement of credit. To begin with it is desirable to launch Participatory Investment Scheme. It is an alternative to *Mudaraba* policy. In this policy an agreed portion of the profit earned will be paid to the concerned NGO and the rest will be retained by the entrepreneur. If the project fails to earn a profit the entrepreneur will have nothing to pay except the principal amount. Since there is no condition to pay a prefixed rate of interest, the entrepreneur will be greatly relieved for he will have to pay only a portion of the profit earned. Thus the maximum amount of the hard earned profit will not go to the hands of the NGOs. Small entrepreneurs will actually be benefited in this program. It may be initiated as a pilot scheme. It should be considered as an effective strategy to eradicate interest from the grass root level.

10. Avoidance of luxurios way of life

Indulgence in luxury and pompousness gradually forces a man to drift away from simplicity and spend thriftness. If regular income fails to satisfy the need for luxurious way of life credit is sought to meet the expenses. There is no other way but to take loan if one wants to build a luxurious house, buy a car of letest model or follow a fashionable lifestyle. This is the opportune moment for interest to enter in a house. The alternative way to earn money to satisfy these needs is corruption or adoption of malpractices. It is already told that credit and interest are interwoven. So willingly

or unwillingly one agrees to pay interest to borrow money to meet the conspicuous consumption.

Moreover, interest has taken its root in durable household commodities, electrical and electronic appliances and fashionable items that are being sold on installment payment basis. Companies are out to sell durable consumer goods on competitive basis and on installment payment system where interest as an element is concealed very tactfully. Conventional commercial banks are advertising continuously in colourful ways to get loans from them on 'very easy terms and conditions' to meet the conspicuous consumption needs and fulfill the desires of the family. They are innovating new products all of which are interest based. Credit card is such an innovation whose interest rate soars upto 25%. The middle class people can seldom overcome the lure of the advertisements but can hardly bear the burden of it, because it has made purchases easier and quicker and turned into a culture by now. The grave consequence of the credit card culture (CCC) is that it shattered the economic backbone of the USA middle class and was one of the important causes of the financial disaster of 2007-2008. Its aftershock has reached all the European countries.To get rid of this probem we are to give up luxury, should not try to imitate others and stay away from conspicuous consumption.

Conclusion

It can reasonably be expected that mass awareness can be created against interest by following and implementing the above mentioned strategies. As a result, efforts to avoid interest decleared *haram* by Allah SWT can get momentum. It is noteworthy that the mentality of the majority people of Bangladesh is strongly Islam oriented. Contrary to it the existing laws, social behaviour and the mentality of the majority businessmen are in collision with the Islamic faith and beliefs.

Thus there exists a precarious psycho-social environment in the society.

Till today entire trade and commerce, capital and credit, savings and investment of the country are regulated by the capitalist system based on the Roman-British law. Considering this adverse situation it can be said that we need a strong will, the power of faith and Allah SWT's divine guidance to give up and uproot interest. We need well planed initiatives to make the people aware of the devastating impact of interest. Strategies discussed here to avoid and eliminate interest are not the last words. More suitable ways and effective strategies can be devised. But no fruitful result is expected if the strategies remained confined in papers only. In fact, if we can go ahead slowly but steadily on a well devised action plan, hopefully Allah's help will be with us.

If the economy becomes interest free there will be a continuous demand for investment on the one hand and good utilization of savings on the other. As a result, there will be increased production, employment and balanced distribution of wealth. Competition will increase. Monopoly will decrease. The chance of earning excessive profit and anti-social investment will be stopped. However, in order to stop oppression and eradicate deprivation from the society interest must be uprooted. It is the scientific way. Allah SWT promised in the holy Quran that ' نَصْرٌ مِنَ اللهِ وَفَتْحٌ قَرِيبٌ 'Help from Allah and victory is near at hand' *(Al-Saff: 13)*. But we have to prepare ourselves to be worthy of it. To uproot interest from the society is in a sense *Jihad*. Therefore, we should be ready to meet any kind of sacrifice in this *Jihad*. Thus the humanity may get rid of the dreadful severity of interest. There will be the possibility to seek Allah's help and forgiveness through the acceptance of our prayer with *Halal* livelihood. And besides, the welfare of the worldly life and the rewards of the world Hereafter will also be ensured simultaneously.

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Multi-Level Marketing (MLM) with reference to GGN:

***Note:** The following article was written by the author of the book at our request and was published in **At-Tahreek**; October 2000 issue. During that period GGN and the Newway Bangladesh (Pvt.) Limited were spreading their activities following the MLM technique throughout the country. It was a unique article on the subject analyzing the pros and cons of the activities of the companies. The article is appended to the book for the readers as the contents of the article are clearly related with the subject matter of the book. –The publisher.*

Reports are published in various national dailies in details about the activities of the Global Guardian Network (GGN). Question of cheating was raised against the GGN and its associate organization the Newway Bangladesh (Pvt.) Ltd. Detailed reports about their activities were published in the daily *Janakantha* (9, 12, 17, 19 and 20th Sep., 2000) the daily *Manabjamin* (5th Sep., 2000), the daily *Inqilab* (9th Sep., 2000), the daily *Muktakantha* (15th Sep., 2000). The suspicion and questions about the GGN were appropriate. Based on what is learnt from various sources and understood from their circulated leaflets and handouts, it can be said undoubtedly that the GGN and its associate organization are working in this country without any challenge. Their strategy, policy and business techniques are so foolproof and mathematically accurate that they would be out of reach of the persons cheated by them.

The mathematical method on which the GGN and its associate organization are conducting their business is called the binary method. According to the theory of 'duplication of two' of this method, based on 'from one to two and each of this two will produce another two', the number of members based on groups

will increase in a cyclical order. Mathematically this increase in number can be infinite. The companies in question are running their network business on this method. It may be mentioned that Mr. Noborotnom Sree Narayana Thasa is of Sri Lankan origin and currently a citizen of Canada established the GGN in question. It has been working in Bangladesh since March, 1999. Their head office is shown to be at Gulshan, Dhaka. But their commercial activaties are run from a house at Bonani, Dhaka.

In practice, network business is based on commission. At first a buyer purchases a product on a fixed price from the company that is many times higher than the prevailing market price. Condition is that this buyer will get commission. Company gives him commission from the excess money which was taken from him earlier in the form of higher price. The first person will collect two new men as an agent or distributor of the company, and then this two persons will also work as company's agent and collect two new persons for each of them. Now these two people will be eligible to get commission as the first one recieved. Now this new four buyers, as a representative of the company, will manage to get two new buyers for each of them. If they are successful these four buyers will get commission. In this way the number of agents and buyers will continue to increase. Nobody knows where the number will stop.

If the first buyer fails to be an agent that means it he becomes unable to manage two new buyers, he has no hope to get the promised commission. In that case his activity ends up there and the company grasps his money totally. But he cannot take any legal steps against them because he got himself trapped knowingly. Likewise if the first customer becomes an agent but his managed two persons fail to be agents in their turn they will be deprived of the commission in the same way.

A time may come in this system when it will be impossible to find an agent that means no new buyers will be available. Then the marginal buyer will definitely be cheated and the number of this kind of people will be millions in number. Unfortunately the majority of them are unemployed but educated youths.

Inherent defects of the activities and techniques of cheating of the GGN and its Bangladeshi associate the Newway Bangladesh (Pvt.) Ltd. needs to be explained. This is done below :

(1) The package of goods these companies are selling is priced at Tk. 7,500/=. They themselves claimed that they are earning a profit of Tk. 3,500/= per package. It may be mentioned that their goods are not of internationally recognized brand. Therefore, it is impossible to know the actual quality and price of the products they sell, and how much profit the company earns by selling that product. Even though the deal is made at such a high price, it seems *halal* from the *Shariah* point of view because he/they agreed to buy the product at the price. In reality the buyer agreed to be cheated knowingly with the hope that he can get back at least Tk. 1,800/= if he can manage two more buyers like him.

It is like the tale of Eashop's fable about a fox with a tail cut off. After his own tail was cut the fox was trying to incite his fellows to cut their tails also. In this case the first buyer or agent and each of the two of his victims will continue to spread this cheating by managing two more clients. They will do this because each of the two clients of the first agent will get Tk. 1,800/= and consequently the first agent will get back Tk. 2,400/=. It may be mentioned that each of them paid excess Tk. 3,500/= while buying the package. The ‘profit’ or commission is given from that excess money realised earlier. It is a unique example of tricky cheating by an alluring trap.

(2) Out of the package of Tk. 7,500/= the two companies have earmarked Tk. 3,500/= (43.67%) for security, service charge and distribution cost. That means the price of the basic product is 53.33% or Tk. 4,000/=. Once the original customer becomes an agent or distributor, he may get back Tk. 600/= if he can manage two new buyers. Otherwise he will not get anything back. In this case the company will take away the whole money.

(3) Generally no company claims service charge for selling their products. In cases where installation of the machinery is intricate and requires expert service 2%-2.5% of the net price may be claimed as service charge. If service charge is claimed then a further claim in the name of service distribution is unethical. These two companies are doing this unethical thing.

(4) After a stipulated period the original buyer is always paid back the security money charged for a good. But in this case the two companies will never return the security money to the original customer, not even a part of it if he fails to be an agent or distributor later on. To embezzle money in the name of security is nothing but exploiting the customer.

(5) These two companies earn a profit of Tk. 3,500/= per package in the first step. But there is no provision to return any part of the profit to the customer. But if the customer becomes an agent or distributor in step-2 then he will have to sell three packages and will get back Tk. 600/= for each package i.e. a total Tk. 1,800/=. In this case the net profit of the company will be Tk. 8,700/=. If this is not cheating then what cheating is?

(6) According to the company's rule in the 11th step the buyer or the distributor is supposed to be given 80% profit. That means according to their claim they will keep only Tk. 700/= per package as profit i.e., the rate of profit will be 17.5%. But by this

time they have accumulated a healthy amount of profit. In the first step they did not give any profit to any body, in the second step they give only Tk. 600/= and Tk. 1,114/= in the third step as profit. In this cycle the profit due to an agent/distributor will increase gradually only when the new buyers increase in number under the supervision and control of the same person. The fewer the steps the more profit the company will earn. In the process the customer/agent/distributor will be able to increase his profit if he is able to increase the steps.

(7) According to company's announced policy, any agent/distributor can claim up to 73.40% profit if he can produce 511 buyers in a continuous series. This must be done under the supervision and signature of the same person. No buyer can skip any step or break any stair. In that case the channel or the continuity will be broken. As a result promotion of that distributor will be hampered and recieving commissions or profits at the increased rate will be stopped.

(8) There is no way to know in advance the quality, standard and real price of the product sold through package. Once sold the product can never be returned. There is no after sell service. So the client is not getting any chance of repairing or servicing the product which is contrary to business ethics of any recognized or established company.

(9) There is no guarantee or warranty for the sold products. If the product becomes unusable or damaged within a year the companies are not liable to make good for the loss. But reputed companies have this kind of facilities available.

(10) One more important aspect is to be looked into. According to the binary method it is possible to create infinite stratum through the 'Duplication of two' policy. These two companies

adopted this policy. Theoretically a distributor can reach the peak of the pyramid and can get the company's announced huge profit. But it is next to impossible. Only few distributor/agent can reach beyond the fourth step. There is always a chance to break the chain. As a result the company will be much gainer. The lesser step the agent will reach the more profit the company will reap. For example, if 63 packages are sold at step-6 the profit of the company will be Tk. 2,20,500/=. The net profit of the company will be Tk. 96,900/= if normal due of the agent Tk. 1,23,600/= is deducted from it. But if these 63 packages are sold in 3 stages in separate 9 channels through customer/agents then the profit of the company will be (Tk. 24,500 – Tk. 7,800)= Tk. 16,700×9= Tk. 1,50,300/=. Hence, the company will always prefer that the customer crosses fewer steps and gains less.

(11) Another important aspect of the system should be taken into consideration seriously. The system looks like inverse pyramid. Those who stay at the bottom stage of the inverse pyramid sale structure will certainly purchase products from the agent with the hope to become an agent/distributor in the next higher step. All of them will be looser if it becomes impossible to collect new client or the company wraps up their business abruptly. If 10,000 persons stay at the bottom of the pyramid then 51,11,000 clients will be in the step-9 (if the chain remains unbroken). They will buy the packages to the amount totaling Tk. 38,325 million. The company will earn Tk. 17,885 million as profit. If the chain breaks down the profit earned by the company will automatically be increased.

(12) If this policy were really the best and reliable, all the multinational companies (MNC) would not operate their business in various countries by building mills and factories. They are operating their business in many countries on partnership by

establishing limited company. They earn millions of Taka as profit annually. But neither the clients feel cheated nor the company is suspected about their products and activities. They advertise their products, present the goods in the showroom for inspection and establish numerous outlets to sell their goods. Even they have chain shops but do not have any network system such as MLM.

On the other hand the GGN is trying to sell their products anyhow to the customers without informing them about the quality and particulars of the products. No opportunity is given to inspect the products in advance. They rather train their customers how to manage more clients. Meanwhile complains are raised against them that after recieving money they do not supply the products even after 3 months. Persons who became their clients, paid the price of the products but failed to manage two more new buyers are neither getting the goods nor the commission. They are, on the contrary, being pressurized for collecting clients anyhow.

(13) It is most unfortunate that few *Ulama* passed opinion in favour of the GGN's business as legal from the *Shariah* point of view. They are requested to kindly examine the above mentioned points. Apparently it may seem that the GGN has fulfilled the conditions of being a legal business from the *Shariah* point of view. But their implicit goal is dishonest and the consequences are very dangerous which can be perceived by concentrating on the above mentioned analysis.

According to the news published in the national dailies they have wrapped up their business from Chittagong after collecting Tk. 500 million. It becomes clear from the analysis of their methods and tactics that they are using thousands of unemployed young males and females in their favour very cunningly and cheating

the mass with their help. The way they are provoking the job seeking young people by presenting colorful dreams of the future through the lectures using the multi-media in the air-conditioned room seems to be unethical. They are being tutored how to allure more customers in these `orientation' classes. Training is required for a good salesman. But the companies in question train their clients/agents with ulterior motives.

(14) On September 12, 2000 the GGN and the Newway Bangladesh (Pvt.) Ltd. published an advertisement in the daily *Inqilab* where they informed that they are conducting business taking all necessary permissions from the government, completed registration, and maintained other formalities according to the law of the land. They claimed that they have no confidentiality in their business. All their papers are open to all for verification.

This kind of announcement is unnecessary. It rather reminds the Bengali proverb `Who is in the room of the temple? I did not eat the banana'. It is known to everyone that one is to fulfill all government and local formalities of a country to run a business there. It does not guarantee honesty or reliability of any company. So, if in one fine morning these two companies close their business, the goverment will have nothing to say. Similarly if they leave the country secretly there will be no opportunity to realise claims due to them.

(15) It is claimed in the same advertisement that there is not a single example in the history of the GGN and the Newway (Pvt.) Ltd. that after being qualified anyone was not given their commission. They also claimed that there is no written complain against them and there is no prosecution for cheating against the GGN and the Newway (Pvt.) Ltd anywhere in the country. The statement should be taken with all seriousness.

There is no denying of the fact that the GGN and its associate company are giving `commission' to their customers but it should also be remembered that the companies have cheated them in the name of the `price' of the product. They are selling inferior goods at much above the market price and are realizing much more money in the form of other charges. Not only that. The victim has to qualify himself for worthiness of commission by managing more persons like him.

They claimed that there is no prosecution against them for cheating. There are two reasons for it: (i) Those who become their prey they are trapped for their greed. How dare they lodge protest against the company? (ii) It is alleged that the companies make unusual delay in supplying the goods sold. Even then no one makes any complain because if he discloses the fact to the two new buyers he meanwhile managed will just turn their back to him. Eventually he will loose the 'commission' sought after.

(16) They have claimed that there are many such companies throughout the world. That is true. But that does not justify cheating because cheating is cheating. It may not be out of place to mention that recently names of the MLM companies working in the USA were dropped from the Business Directory of the country for their unethical tactics in business. In Islam *Riba* is strictly prohibited but it is in practice in almost all the countries of the world and the governments are also a party to it. Does it make *Riba Halal*? No Muslim can agree to it. So is the case with the business of the GGN and its associate. They are cheating the customers and earning in the *Haram* way.

(17) It is alleged in some national dailies that the GGN and its associate are conducting their business following the policy of ‘managing the situation’. Mr. Noborotnam Sree Naryana Thasa was a citizen of Sri Lanka. But in Bangladesh he claimed to be a

citizen of Canada. It rouses curiosity that how could such a person be issued trade license by the Dhaka Metropolitan City Corporation when he obtained no work permit earlier. By the same token question also arises as to how the Board of Investment of the Government of Bangladesh could give registration to the Company. All the necessary permits and papers were procured through the policy of 'managing' the concerned persons, it is alleged.

(18) One very pertinent question may be asked about the GGN. Why did Mr. Thasa choose Bangladesh for his business operation instead of Canada of which he is a citizen or in any other country of the West? The answer is simple. Cheating as a business is safe in poor countries. Moreover, country with large number of unemployed people is a place where youths can easily be allured in the name of employment. Even the government also offers many incentives if the concerned ministries/directorates can be convinced that the company is creating opportunities for employment. The GGN has very cunningly used that scope.

(19) It is reported that already more than 34 thousand people have been entrapped by the GGN. The amount of money collected from them exceeded Tk. 1,020 million (The *Daily Janokontho*, 17 September, 2000). Pulling of such a big amount of money in a span of less than 18 months in a poor country like Bangladesh is worth noticing. The company is gradually expanding its network throughout the country and is doing aggressive business. Unemployed youths are caught unaware by them. It is reported that people are withdrawing their savings from banks to become the agents and distributors of the GGN. This reminds us the situation that prevailed in the share markets of Bangladesh in 1996 and also in 2010 and 2011. Many people withdrew their time deposits from the banks, took loans from

friends and relatives, and even sold gold ornaments of wives to invest in the share market. Suddenly the bubble burst and hundreds and thousands of people became penniless overnight. Newspapers published in their front pages the pictures of the agitating and crying men. Some even committed suicide (The daily *Nayadiganta*; 31 January, 2012). The same horrible incident should not be allowed to be repeated in the cities and suburbs of the country.

(20) The instance of Albania deserves to be mentioned here. The network marketing system began to spread in the country in 1996. People jumped on it, utilized their savings and even sold out their properties to invest in the scheme heavily with the hope of earning a high profit. Even the Albanians who were working in Italy and Greece invested their savings in the scheme. The network companies distributed profit at the rate of 15%-25% at the initial stage. Gradually they raised the rate of profit to an unbelievable height−80%. More and more investors, even from the rural areas jumped on it; their numbers increased at an incredible speed. As a result, only sixteen companies bagged US $1500 million in less than six months. A severe financial catastrophe occurred in the Albanian economy from which the country yet not fully recovered.

Cheating is strictly prohibited in Islam. It should be avoided totally and in all situations. The GGN has used the binary method of mathematics and practicing it in `inverse pyramid' system. They are cheating the people in the name `business' and earning 'commission'. But this does not make it *Halal*. It is better not be involved in their business and thus save our soul from *Haram* income and save others by not cheating them. Because it is *Gunah Kabira*.

Question: Are the activities of the Newway Bangladesh (Pvt.) Ltd., the Destiny 2000 (Pvt.) Ltd *halal*?. Is the MLM (Multi Level Marketing) system through which they give customers' commission or profit *halal*?

Ans: Basically partnership or joint venture entrepreneurship is *Halal* in two ways. One is *Musharakah* (مشاركة) i.e. partnership business where profit is distributed according to the share of capital invested (*Abu Dawood, Buloogul Maram, H/870; Naylul Awtar H/2334-35*). Another is *Mudarabah* where one runs a business with other's capital. Here the profit is distributed according to the articles of contract they agreed upon. (*Daraqutni, Muwattah, Buloogul Maram, H/895, Mouqoof Saheeh*). The business in question (MLM) is different from these two forms of *halal* business.

We have analyzed the books *The Index file*, *The Concept* and *Sales and Marketing Plan* published by the company and data supplied by them. Also we have consulted the written opinions of the Professors of the Department of Marketing and Economics, Rajshahi University, Bangladesh and King Abdul Aziz University, Saudi Arabia in this regard. The relevant points are quoted as under:

i) The legal business is the trading activities of any legal product where there is the risk of profit or loss. But the MLM companies talk only about profit. There appears no element of risk or loss. So it is difficult to know whether it is a business concern or a purely profit earning agency.

ii) The question of interest *(riba)* in the business of MLM is avoided tactfully. Even if there is no interest in direct transactions it cannot be said emphatically that the MLM is not connected with interest based dealings.

iii) The subject of gambling through `inverse pyramid policy' is avoided here in an aggressive manner.

iv) In ordinary business the businessmen get commissions on the quantity they sell and they can return the unsold goods to the company. But in the MLM business, there is no such scope to return the unsold goods.

v) According to the purpose mentioned in *The Index*, it is claimed that there is no allurement to make new members. On the contrary every statement in it is full of allurement.

vi) Gambling is present here. It is such a type of `business' where the welfare of the people is neglected and the goods are used to attract new members. The new customers are given assurance to earn easy money beyond normal profit of the goods sold which is simply gambling.

It is found through investigation that the market prices of the goods are half the price charged by the MLM companies. Again there is no certainty that the goods will be of good quality. For example: in the package of Tk. 7,500/= (in the 1st group), according to the information supplied by them the breakdown is as follows: the price of the product is Tk. 3,500/=, service charge is Tk. 1,000/=, security cost Tk. 1,500/=, and distribution cost Tk. 1,500/=. Thus the company bags additional Tk. 4,000/= from a product valued at Tk. 3,500/= only. A portion of it is distributed to the customers at different stages as commision.

According to the *Sales and Marketing Plan* published by the Destiny in March 2008, their total marketing profit distribution amounts nearly to 88% (p.7). In p.16 of the plan, it is said that after crossing 12 stages if the first customer is given 5% commission by the company per week (supposing monthly sale at

Tk.100/-) on the goods purchased by every customer, the customer will earn at least Tk.8,000/= per week. Thus they allure the people to attract them by offering the possibility of earning such huge sum of money as `profit'. But the Prophet (pbuh) has strictly prohibited such cheating *(Muslim, Mishkat H/2854)*.

The Standing Committee of the National Research and *Fatwa* Directorate of Saudi Arabia has issued decree that all these kinds of dealings (pyramid scheme, Network Marketing or MLM etc) are *haram* because the purpose of this dealing is to earn commission by recruiting new members for the company, not to earn profit by selling quality goods. Customers are allured to earn a large profit in return to a specified sum. Any person will be allured by this large sum of profit from such low priced goods. Ultimately the company earns a huge profit through the chains of customers/distributors. In fact, the product marketed by such companies is merely a means of earning commission and profit. It is *haram* according to the *Shariah* for the following reasons:

1. Interest *(Al-Riba)***:** Both the two types of *riba* are involved in it i.e. *riba al-fadhl* (involving exchange of goods of the same type but of different quantity) and *riba al-nasi'ah* (involving deferred payment of a larger amount than would be paid if it were paid immediately). The product which the company sells is charged exorbitantly or handed over on a deferred date. The incumbent is not really interested in the goods; his actual motive is to get the commission.

2. Cheating *(Al-Gharar)***:** It is a kind of *gharar* (ambiguous transaction) that is forbidden in the *Shariah*, because the participant does not know whether he will be successful or not in finding the number of purchasers required. No matter how long the pyramid network marketing lasts, it must inevitably reach to

an end, and when a person joins the pyramid he does not know whether he will be in the higher level and thus earn a profit or in the lower level and thus incur a loss. Fact is that most of the members of the netwark are cheated and incur loss except for the few at the top. This is the result of the ambiguous transactions. The Prophet (pbuh) strictly forbade any ambiguous transactions *(Muslim)*.

3. Grasping others wealth in *haram* ways: The transactions of MLM involve consuming people's wealth unlawfully because these sells benefit no one but the companies and some participants whom the company encourages with the aim of tricking others. This is what is forbidden in the Quran, where Allah says: لاَ تَأْكُلُوآْ أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ "O you who believe! Eat not up your property among yourselves unjustly" *(Nisa: 29)*.

4. Deception, deprivation and obscurity: The transaction of MLM involves cheating, deceiving and tricking people by showing the product as if that is the purpose of the bussiness. But when that is not the case rather enticing them with the prospect of a large commission which people do not usually earn is the kind of deceit that is forbidden in the *Shariah*. The Prophet (pbuh) said: مَنْ غَشَّنَا فَلَيْسَ مِنَّا "Whoever deceives us is not one of us." *(Muslim, Mishkat, H/2854)*.

Some people claim that the transaction is a kind of agency or brokerage but that is not true. A broker receives commission in return for selling the product direct whereas in network marketing the company pays commision for marketing, not selling the product. The aim of the broker always remains selling a good, unlike network marketing where the real aim is to increase agents/distributors in number, not the product. A broker

receives commission from the ordering company while in the MLM commission is realized from the purchasers. The difference between the two is quite clear. Some ascribes the transaction as a kind of gift. This is far from the reality. Even if one accepts that, not every gift is permitted according to the *Shariah*. For example a gift given to the creditor is *riba (Bukhari, Mishkat H/2833; Lazna Daemah, Fatwa No- 22935, Dated- 14/03/1425 AH)*.

This type of network business is accused in many countries for their unjust price fixing and making of exaggerated earning. In March 2008, the American Federal Trade Commission removed names of MLM companies from its list of companies. The organization also warns that the practice of getting commissions from recruiting new members is prohibited in most countries of the world as is ‘pyramiding’, *(Multi-Level Marketing – Wikipedia)*.

A lot of books and articles are written analyzing the weak theoretical basis of this type of marketing. It said, “MLM is like a train with no brakes and no driver headed full- throttle towards a station,”

The 'business' can also not be supported from the social point of view because it grows by exploiting people's relationships. A 'customer' is taught to market on his relatives and friends through persuasion motivated by allurement. As a result, the customer develops relationship with people with the concealed motive of developing his `bussiness'. He uses the intimacy with relatives and friends for his own 'business' purpose. The relation becomes unethical. Suspicion and narrow mindedness replace pure and simple friendship. The house becomes a market place. Any man with sound conscience simply will hate it.

Many people of the country are now actively engaged in this business leaving their respectable jobs provoked by easy money.

It is a matter of great regret that even some *Ulama* of the country have fallen prey to this business. People are earning a good sum of money but their Islamic spirit is eroding. Pure materialistic attitude took firm place in their heart. The teachings of Islam is to spend wealth in the cause of Allah while materialistic philosophy asks to amass wealth as much as one can which makes him the shadow of Qaroon. The Prophet (pbuh) says,

اَلْحَلاَلُ بَيِّنٌ وَالْحَرَامُ بَيِّنٌ، وَبَيْنَهُمَا مُشْتَبِهَاتٌ لاَيَعْلَمُهُنَّ كَثِيْرٌ مِنَ النَّاسِ، فَمَنِ اتَّقَى الشُّبْهَاتِ اِسْتَبْرَأَ لِدِيْنِهِ وَعِرْضِهِ، وَمَنْ وَقَعَ فِى الشُّبْهَاتِ وَقَعَ فِى الْحَرَامِ-

"What is lawful (*halal*) is clear and what is unlawful (*haram*) is also clear, and in between them are the things doubtful which many people do not know. So he who guards against doubtful things keeps his religion and honour pure, and he who indulges in doubtful things indulges in fact in unlawful things" *(Bukhari, Muslim, Mishkat, H/2762)*.

There is another Hadeeth, دَعْ مَا يُرِيْبُكَ إِلَى مَا لاَ يُرِيْبُكَ، فَإِنَّ الصِّدْقَ طُمَأْنِيْنَةٌ، وَإِنَّ الْكَذِبَ رِيْبَةٌ، "Leave what is doubtful and move towards undoubtful things because peace and tranquility lies in the truth and vagueness and uncertainty is in the false" *(Ahmad, Tirmizi, Nasaee, Mishkat, H/2773).*

Therefore, the explicit conclusion is that MLM business, be it by any name and brand (even if the products they offer vary) is not *halal* in the light of the *Shariah*. People who have a longing for the Heaven should remain far away from these mischievous and harmful business and their *haram* or doubtful income.

[Source: The Monthly *At-Tahreek*; December, 2008]